

TREASURY GROUP LIMITED

A.C.N 006 708 792

**ANNUAL REPORT
YEAR ENDED 30 JUNE 2002**

TREASURY GROUP LIMITED

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Chairman's Report

We are pleased to announce our financial results for the year ended 30 June 2002.

Net profit after tax has risen to \$259,146 an increase of 125% from the previous year of \$115,368. We have declared a final fully franked dividend of one cent per ordinary share, the same as last year's total full year dividend. Directors are pleased to report that dividends are now fully franked and are likely to be for the foreseeable future.

The 2002 financial year was a watershed period for Treasury Group as it marked the beginning of our transformation into a credible financial services and funds management company. Much has been achieved over the course of the year with the highlights being :-

July 2001	The securing of Mr. Rodney Green's Services as CEO of the company. Mr. Green was previously CEO of the highly successful Perpetual Investments.
July 2001	Announcement of our intention to acquire 50% of Investors Mutual Limited, then a newly established boutique funds management business with just over \$300 million in assets under management.
November 2001	Approval by shareholders of the terms of investment in Investors Mutual Limited.
June 2002	Increasing our stake in Armytage private Limited, formerly named Australian Value Funds Management Limited, from 20% to 50% (Armytage is a funds manager of discretionary accounts for high net worth and smaller institutional clients).
June 2002	Group funds under management at 30 June 2002 increasing to \$927 million from a base of just over \$15 million at 30 June 2001 via Armytage private Limited.

Whilst global share markets have been extremely volatile over the last twelve months, the outlook for the group remains encouraging. Investment performance within both Armytage and Investors Mutual has been resilient in the face of market declines and as previously reported Investors Mutual has recently received two industry awards in recognition of the strength of its people, processes and performance.

Treasury Group's funds under management through Armytage and Investors Mutual continues to grow steadily, with group funds under management at 31 August having reached \$1.1 billion. As we indicated at last year's Annual General Meeting, we expect company profitability to increase in the next few years as a result of our increased funds under management and we are budgeting for a significant increase in profit during the year ended 30 June 2003.

In addition to the organic growth that we are achieving, we are continuing to monitor opportunities for further expansion either by investment into already established funds management businesses which we believe would benefit from our infrastructure and expertise or by being involved in new start up funds management operations that we believe will be successful. Our involvement and business support contributed greatly to the success that Investors Mutual has achieved over the last twelve months. We are confident that we can use the same skills and infrastructure to help build other successful funds management operations.

Treasury Group Limited

Key milestones for Investors Mutual during the last 12 months were :-

- Growing its funds under management to over \$ 1 billion,
- Winning the Money Management award for “ Australian Equities Fund Manager” for 2002 as well as Personal Investor magazine’s award for “Australian Share Fund of the Year” thanks to Investors Mutual’s involvement in the highly successful Sandhurst Industrial Share Fund, and
- Strong investment ratings by the key industry research and ratings houses.

The Investors Mutual success represents an excellent case study and model of how Treasury Group and a leading funds manager can combine forces and skills to develop a highly successful business.

Treasury Group remains well positioned to figure actively in the continued growth in the funds management industry. The Board of directors are confident that 2003 will be a prosperous and rewarding year for our clients and shareholders.

Mr Lee Iafrate
Chairman

Melbourne

11 September 2002

DIRECTORS REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2002.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Mr L. laFrate
Mr R. Green (Appointed 14 November 2001)
Mr T. Poole
Mr M. de Tocqueville (Retired 14 August 2002)

All directors have been in office since the start of the financial year to the date of this report except for Mr Green who was appointed in November 2001 and Mr de Tocqueville who retired from office.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were

- Provision of Funds Management services to;
 - Institutions,
 - Retail Investors; and
 - Private clients.

This represents an evolution from purely investment activities twelve months earlier to the present principle activities undertaken.

OPERATING RESULTS

The consolidated profit of the economic entity amounted to \$259,146. (2001; profit \$115,638).

EARNINGS PER SHARE

	2002	2001
Basic Earnings (Cents Per Share)	2.2	1.27
Diluted Earnings (Cents Per Share)	1.7	1.27

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared for payment are as follows:

A final fully franked ordinary dividend of 1.0 cent per share has been declared by the directors amounting to a total distribution to the shareholders of \$141,659. A final dividend in relation to the 2001 financial year of 0.5 cents per share was paid during the year being \$45,310.

DIRECTORS REPORT

REVIEW OF OPERATIONS

INVESTMENT ACTIVITIES

Despite a turbulent year for global equity markets, Treasury Capital Management Pty Ltd, a wholly owned investment company of Treasury Group Limited, enjoyed a successful year realising gains of \$113,615 from its investments.

FUNDS MANAGEMENT

Investors Mutual Limited currently provides a funds management capability to both corporate investors and the retail community. The consolidated entity holds 50% of the issued capital of this company. Currently Investors Mutual Ltd has \$1.1 billion, funds under management.

Armytage private Limited (formerly known as Australian Value Funds Management Limited) currently provides a professional investment service to high net worth individuals, families, superannuation funds and institutions, on a mandated discretionary basis. The consolidated entity holds 50% of the issued capital of this company.

Group Funds Management Pty. Ltd is currently in the initial start up phase. It too will be involved in the funds management industry. The consolidated entity holds 25% of the issued capital of this company and has equity accounted for this investment taking up a loss of (\$7,455) in respect of its interest in this entity.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, strategic shareholdings in Investors Mutual Limited, Armytage private Limited and Group Funds Management Pty Ltd were acquired. All of these entities are involved in the funds management business.

FUTURE DEVELOPMENTS

In the opinion of the directors, disclosure of information regarding likely developments in the operations of the consolidated entity and the expected results of those operation other than matters referred to in the Chairman's Address would prejudice the consolidated entity's interests. Accordingly no further information is included in this report.

ENVIRONMENTAL ISSUES

The consolidated entity's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

EMPLOYEES

The consolidated entity employed 23 employees at the 30 June 2002; (2001; nil).

DIRECTORS REPORT

INFORMATION ON DIRECTORS

Lee Darion Peter laFrate	Non Executive Chairman
Age:	40
Qualifications:	B.Bus(Acc), Graduate Dip of Applied Finance and Investment, ACPA, FSIA, MSDIA.
Experience:	Mr. laFrate has 18 years experience in sharebroking, predominantly focusing on corporate and institutional broking, i.e. mergers and acquisitions, capital raising and corporate advisory. Mr laFrate is also the Chairman of Armytage private Ltd.
Interest in Shares:	1,547,053
Special Responsibilities:	Member of Audit Committee
Rodney Green	Managing Director
Age:	45
Qualifications:	Aust Chartered Accountant Associate member of Securities Institute
Experience:	Mr. Green has over 25 years experience in the funds management industry. Prior to joining Treasury Group Limited he was the Chief Executive Officer of Perpetual Investments Ltd with total funds under management of \$15 billion.
Interest in Shares:	1,200,000
Special Responsibilities:	Member of Audit Committee

DIRECTORS REPORT

Timothy Michael Poole	Non Executive Director
Age:	33
Qualifications:	B.Com, ACA
Experience:	Mr. Poole has been involved in the financial services industry for more than ten years. He is currently an Associate Director at Hastings Funds Management Limited and is a Director of Armytage private Ltd. Prior to that Mr. Poole was member of the taxation services division of Price Waterhouse.
Interest in Shares:	12,000
Special Responsibilities:	Member of Audit Committee

Michael Brendan Patrick de Tocqueville	Non Executive Director
Age:	51
Qualifications:	SIA (AFF), FAICD
Experience:	Mr. de Tocqueville a director since 1998 has had over 16 years experience in financial planning and sharebroking. He is the Managing Director of Armytage private Limited until his retirement on the 14 August 2002.
Interest in Shares:	70,000
Special Responsibilities:	Member of Audit Committee

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is based on an assessment of their contribution to the success of the company's activities and prevailing current market conditions.

The emoluments of each Director and each of the executive officers receiving the highest emoluments are as follows:

DIRECTORS REPORT

DIRECTORS

Emoluments of directors of Treasury Group Limited

	Salary \$	Super Contributions \$	Options \$	Non-Cash Benefits \$	Total \$
Mr. L. laFrate	-	-	-	-	-
Mr R. Green	\$421,850	\$28,150	\$24,000	-	\$474,000
Mr. T. Poole	-	-	-	-	-
Mr. M. de Tocqueville	\$66,371	\$5,293	-	\$4,736	\$76,400

EXECUTIVE OFFICERS

Emoluments of the three most highly paid executives officers of the company and the consolidated entity.

	Salary \$	Super Contributions \$	Options \$	Non-Cash Benefits \$	Total \$
Mr. A Tagliaferro	\$184,000	\$16,000	-	-	\$200,000
Mr R. Kipp	\$54,486	\$4,359	\$39,000	-	\$97,845
Mr C. Byrne	\$21,429	\$1,712	-	-	\$23,141

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to directors and other executives during the year ended 30 June 2002. Fair values have been assessed using a Binomial Options Pricing Model. Factors taken into account by the model include the exercise price, the market value, dividend yield, risk free interest rate, volatility and the term of the option.

Other than the options noted above all other options granted to directors and executives currently have a nil fair value.

SHARE OPTIONS

As at the date of this report, there were 7,265,000 share options (6,265,000 at 30 June 2002), Refer to Note 24 and 30 (e) of the financial statements for further details of the options outstanding.

No person entitled to exercise the option, had or has, any right by virtue of the option to participate in any share issue of the company or any related body corporate.

AUDIT COMMITTEE

In accordance with Listing Rule 3C(3)(i) of Australian Stock Exchange Limited ('ASX'), the company advises that it does have an Audit Committee as at the date of this Annual Report.

DIRECTORS REPORT

MEETINGS OF DIRECTORS

During the financial year, 15 meetings of directors (including committees) were held. Attendances were:

	DIRECTORS' MEETING		COMMITTEE MEETINGS AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
L. laFrate	11	11	3	3
R. Green	9	9	2	2
T. Poole	11	6	3	1
M. de Tocqueville	12	12	3	3

INDEMNIFICATION & INSURANCE FOR OFFICERS

Since the end of the financial year the Company has entered into an agreement for the purpose of indemnifying Directors & Officers of the Company against all losses and liabilities incurred by the Director or Officer on behalf of the Company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity

- (a) A liability owed to the Company or related body corporate;
- (b) A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act;
- (c) A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith;
- (d) Any other liability against which the Company is precluded by law from indemnifying the Director.

During the financial year, the Company has paid an insurance premium of \$12,870 in respect of a contract insuring officers of the Company against a liability which may be incurred in that person's capacity as an officer of the Company.

CORPORATE GOVERNANCE

The Board of Directors of Treasury Group Limited is accountable to shareholders for the business and affairs of the Company through the implementation of sound strategies, action plans and controls over resources, functions and assets. The Company's main corporate governance practices employed during the financial year are summarised as follows:

Board Composition and Membership:

The Board is comprised of a managing director, two non-executive directors and a company secretary.

The full Board is responsible for establishing the criteria for Board membership, reviewing Board membership and identifying or nominating directors. Board membership is reviewed annually to ensure the Board has an appropriate mix of qualifications, skills and experience. Candidates appointed by the Board must stand for election at the next general meeting of Shareholders.

Directors are subject to re-election by rotation at least every three years.

DIRECTORS REPORT

Remuneration of Directors and Executives:

The full Board determines compensation arrangements for directors and executives, by reviewing related matters including management incentive schemes, share option schemes, fringe benefit policies and superannuation.

Independent Professional Advice:

Directors of the company may obtain independent professional advice at the Company's expense if required in furtherance of their duties.

Audit Committee:

The Audit Committee comprises the full board. The accountant responsible for preparing the financial accounts and the External Auditor attend meetings by invitation.

The Audit Committee assists with the discharge of its responsibility for financial reporting and financial control. The Committee is an advisory body and ensures that the accounts and reports are prepared in accordance with appropriate standards and statutory requirements, and that cost effective systems of controls and practices are maintained throughout the Company. The Committee also reviews and reports to the Board on the effectiveness of the audit function, and is responsible for the nomination of the external auditors.

Identifying and Managing business risks:

The Board regularly monitors the operational and financial performance of the Company and economic entity against budget and other key performance measures. The Board also reviews and receives advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business including business acquisitions and disposals, major investment proposals and fund raisings.

Ethical Standards:

The Company has adopted a Code of Ethics policy that outlines the standards required so that Directors and Management conduct themselves with the highest ethical standards.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors.

MR LEE. IAFRATE (DIRECTOR)

Melbourne

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TREASURY GROUP LIMITED

Statement of Financial Performance

For the year ended 30 June 2002

	Note	Consolidated		Treasury Group Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
Revenues from ordinary activities	2	5,927,272	276,538	1,009,388	243,874
Diminution in market value of investments	3(a)	-	(109,605)	-	-
Salaries and employee benefits		(1,926,641)	-	(391,913)	-
Other expenses from ordinary activities	3(b)	(2,905,234)	(66,509)	(308,350)	(45,139)
Share of net profit(loss) of associates accounted for using the equity method	3(c)	(21,596)	14,944	-	-
Profit from Ordinary Activities before income tax		1,073,801	115,368	309,125	198,735
Income tax relating to ordinary activities	4	(363,378)	-	-	-
Net Profit		710,423	115,368	309,125	198,735
Net Profit Attributable to Outside Equity Interests	21	(451,277)	-	-	-
Net Profit Attributable to Members of Treasury Group Limited	20	259,146	115,368	309,125	198,735
		2002	2001		
Basic Earnings per share (cents)	27	2.2	1.27		
Diluted Earnings per share (cents)	27	1.7	1.27		
Franked Dividends per share (cents)		1.00	-		
Unfranked Dividend per share (cents/share)		-	1.00		

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

TREASURY GROUP LIMITED

Statement of Financial Position

As at 30 June 2002

	Note	Consolidated		Treasury Group Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
CURRENTS ASSETS					
Cash Assets	6	2,829,168	917,615	1,821,398	917,613
Receivables	7	2,289,924	4,680	497,693	4,680
Tax Assets	4	24,442	-	-	-
Investments	8	2,166,289	1,187,834	-	-
Other	9	125,220	-	-	-
TOTAL CURRENT ASSETS		7,435,043	2,110,129	2,319,091	922,293
NON-CURRENT ASSETS					
Investments	10	-	-	3,170,463	2
Equity accounted investments	11	542,545	67,087	550,000	55,000
Property plant & equipment	13	248,021	-	73,894	-
Intangible Assets	14	1,900,750	-	60,000	-
Other assets	15	-	-	1,389,913	1,289,797
TOTAL NON-CURRENT ASSETS		2,691,316	67,087	5,244,270	1,344,799
TOTAL ASSETS		10,126,359	2,177,216	7,563,361	2,267,092
CURRENT LIABILITIES					
Payables	16	975,528	20,771	111,366	20,771
Provisions	17	377,563	45,310	156,466	45,310
Current tax liabilities	4	337,252	-	-	-
Other liabilities	18	-	545	-	545
TOTAL CURRENT LIABILITIES		1,690,343	66,626	267,832	66,626
TOTAL LIABILITIES		1,690,343	66,626	267,832	66,626
NET ASSETS		8,436,016	2,110,590	7,295,529	2,200,466
SHAREHOLDERS' EQUITY					
Contributed equity	19	8,894,945	3,967,348	8,894,945	3,967,348
Accumulated losses	20	(1,739,271)	(1,856,758)	(1,599,416)	(1,766,882)
Total Parent Equity Interest in Equity		7,155,674	2,110,590	7,295,529	2,200,466
Total Outside Equity Interest	21	1,280,342	-	-	-
TOTAL EQUITY		8,436,016	2,110,590	7,295,529	2,200,466

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

TREASURY GROUP LIMITED

Statement of Cash Flows
Year ended 30 June 2002

	Note	Consolidated		Treasury Group Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
Cash flows relating to operating activities					
Receipts from customers		4,703,422	-	245,057	-
Payments to suppliers and employees		(4,850,691)	(122,521)	(572,933)	(122,521)
Payment for shares in Listed Companies		(5,614,128)	(312,761)	-	-
Proceeds from sale of shares in Listed Companies		5,211,431	307,317	-	-
Interest received		75,665	65,925	26,466	55,544
Dividends received		29,361	2,470	-	-
Other Income		85,412	7,236	3,711	6,314
Income Taxes Paid		(38,503)	-	-	-
Net operating cash flows	22 (a)	<u>(398,031)</u>	<u>(52,334)</u>	<u>(297,699)</u>	<u>(60,663)</u>
Cash flows relating to investing activities					
Payment for property, plant and equipment		(228,711)	-	(80,700)	-
Payments for investment in unlisted companies		(891,375)	(724,092)	-	-
Loans to related parties		(109,642)	-	(109,642)	-
Payment for controlled entities	22 (e)	(893,233)	-	(1,247,461)	-
Proceeds from redemption of investments		1,832,139	-	-	-
Net investing cash flows		<u>(290,822)</u>	<u>(724,092)</u>	<u>(1,437,803)</u>	<u>-</u>
Cash flows relating to financing activities					
Proceeds from issue of shares		2,684,597	-	2,684,597	-
Loan to related party		-	-	-	(460,000)
Cash Deposits		24,590	-	-	-
Dividends Paid		(105,310)	(90,620)	(45,310)	(90,620)
Other		(3,471)	-	-	-
Net financing cash flows		<u>2,600,406</u>	<u>(90,620)</u>	<u>2,639,287</u>	<u>(550,620)</u>
Net increase in cash held		1,911,553	(867,046)	903,785	(611,283)
Cash at beginning of year		917,615	1,784,661	917,613	1,528,896
Cash at end of financial year	22(b)	<u>2,829,168</u>	<u>917,615</u>	<u>1,821,398</u>	<u>917,613</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers the economic entity of Treasury Group Limited and controlled entities, and the financial report has been prepared in accordance with the historical cost convention.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to earnings per share.

The consolidated entity has adopted the revised Accounting Standard AASB 1027 "Earnings per Share" and has for the first time determined basic and diluted earnings per share in accordance with the revised Standard. Basic earnings per share (EPS) was previously calculated by dividing the profit from ordinary activities after tax by the weighted number of ordinary shares outstanding during the financial year. In accordance with the revised AASB 1027, basic EPS is now calculated as net profit attributable to members, adjusted to exclude the costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS was previously determined by dividing the profit from ordinary shares after tax adjusted for the earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year. In accordance with AASB 1027, diluted EPS is now calculated as net profit attributable to members, adjusted for:

- * costs of servicing equity (other than dividends) and preference share dividends;
 - * the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
 - * other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential shares, adjusted for any bonus element.

The effect of the revised policy has had no impact to the stated earnings per share as previously reported.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Treasury Group Limited (the parent company) and all entities that Treasury Group Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

TREASURY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including any unrealised profits or losses from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(f) Property, plant and equipment

Property, plant and equipment is measured at cost and depreciated over its useful life on a diminishing cost basis.

Major depreciation periods are:	2002	2001
Office equipment	5 - 10 years	5 - 10 years
Computer equipment	4 years	4 years
Office furniture	13 years	13 years
Leasehold improvements	13 years	13 years

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The consolidated Group has no finance leases.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

(h) Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight line basis over the period in which benefits are expected to be received. This is taken as 20 years.

Sharebroker Agency - Client List

The value of the Sharebroker Agency - Client List, representing a client list from which commissions are earned was purchased from a sharebroker during the current year is being amortised over a five year period.

(i) Investments

Shares in listed companies held as current assets are valued at cost. The gains or losses are included in profit from ordinary activities before income tax when realised.

Non-current investments are carried at cost or at directors' valuation. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

(j) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of that obligation.

Dividends payable are recognised when a legal or constructive obligation to pay the dividend arises.

TREASURY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

(l) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

(n) Taxes

Income Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being recognised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

* where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

* receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

(o) Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be satisfied within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government securities, which have terms to maturity approximating the terms of the related liability, are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements, and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The value of officer and executive options, described in Note 24, is not being charged as an employee entitlement expense. However, the fair value of equity instruments issued to directors and executives is disclosed as a part of executives and directors remuneration in Note 29.

(p) Earnings Per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends.
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses, and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares:

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(q) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
2 REVENUES FROM ORDINARY ACTIVITIES				
(a) Revenue from operating activities.				
Management Fees				
- wholly owned controlled entity	-	-	90,000	-
- partly owned controlled entities	-	-	321,809	180,000
- other persons/corporations	5,394,649	-	15,000	-
Share Trading (i)	113,615	5,751	-	-
Realised Gains on Investments	165,700	194,062	-	-
	<u>5,673,964</u>	<u>199,813</u>	<u>426,809</u>	<u>180,000</u>
(b) Revenue from non-operating activities				
Dividends received	-	2,470	-	-
- partly owned controlled entities	-	-	410,052	-
- other persons/corporations	48,159	-	-	-
Interest received				
- wholly owned group controlled entities	-	-	100,116	-
- partly owned controlled entities	-	-	-	-
- other persons/corporations	84,481	65,380	33,444	54,999
Commission received	38,967	-	38,967	-
Other Income	81,701	8,875	-	8,875
	<u>253,308</u>	<u>76,725</u>	<u>582,579</u>	<u>63,874</u>
	<u>5,927,272</u>	<u>276,538</u>	<u>1,009,388</u>	<u>243,874</u>
(i) Share Trading activities				
Proceeds on disposal of shares	5,211,431	307,317	-	-
Carrying amount of shares disposed	(5,097,816)	(301,566)	-	-
Gain on disposal	<u>113,615</u>	<u>5,751</u>	<u>-</u>	<u>-</u>
3 EXPENSES FROM ORDINARY ACTIVITIES				
(a) Provision for diminution in market value of investment	-	(109,605)	-	-
(b) Other expenses from ordinary activities				
Bad and Doubtful Debts	-	(937)	-	(937)
Depreciation and Amortisation of:				
- Plant & Equipment	(52,480)	-	(6,292)	-
- Leasehold Improvements	(514)	-	(514)	-
Operating Lease Rentals	(191,258)	-	(53,724)	-
Goodwill Amortisation	(104,377)	-	(15,000)	-
Marketing Expenses	(194,362)	-	-	-
Fund Administration	(1,108,979)	-	-	-
Travel and Accommodation costs	(119,528)	-	-	-
Communication Costs	(99,962)	-	(5,003)	-
Consulting Fees	(103,333)	-	-	-
Accounting & Audit Fees	(212,502)	-	(112,853)	-
Legal Fees	(62,023)	-	(21,494)	-
Insurance Charges	(49,065)	-	(18,289)	-
Payroll Tax	(78,174)	-	(22,000)	-
Training Fees	(43,313)	-	-	-
Other expenses	(485,364)	(65,572)	(53,181)	(44,202)
	<u>(2,905,234)</u>	<u>(66,509)</u>	<u>(308,350)</u>	<u>(45,139)</u>
(c) Share of associates net profit (loss)	(21,596)	14,944	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
4 INCOME TAX EXPENSE				
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2001: 34%)	322,140	39,225	92,738	67,570
Tax effect of permanent differences:				
- Entertainment	7,174	-	100	-
- Share of net (profit)/loss of associates	6,478	(5,081)	-	-
- Movement in market value of investments	-	37,266	-	-
- Amortisation of Goodwill	31,313	-	4,500	-
- Rebateable dividends	-	-	(97,338)	-
- Other Items net	(5,076)	-	-	-
- Recoupment of Losses not previously recognised	-	-	-	-
	-	(71,410)	-	(67,570)
	39,889	(39,225)	(92,738)	(67,570)
Under/(over) provision of previous year	1,349	-	-	-
Income tax charged to Statement of Financial Performance	363,378	-	-	-
The consolidated entity does not have any unutilised, carried forward tax losses (2001: \$125,504). Tax losses carried forward from the prior year are not available for future utilisation due to provisions of the Income Tax Assessment Act.				
CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES				
Current tax payable	337,252	-	-	-
Future income tax benefit - current	24,442	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated		Treasury Group Limited	
	2002 \$	2001 \$	2002 \$	2001 \$
5 DIVIDENDS PAID OR PROPOSED				
(a) Dividends proposed				
Final Fully Franked Ordinary Dividend (1c per share) (2001: 0.5c unfranked)	141,659	45,310	141,659	45,310
(b) Dividends paid during the year				
(i) Current year interim Ordinary Dividend (2001: Interim unfranked 0.5c per share)	-	45,310	-	45,310
	<u>141,659</u>	<u>90,620</u>	<u>141,659</u>	<u>90,620</u>
(ii) Previous year final Ordinary Dividend (Unfranked 0.5c per share) (2001: Interim unfranked 0.5c per share)	45,310	45,310	45,310	45,310
(iii) Payment of Fully Franked Dividend to Out Side Equity Interest of Investors Mutual Limited from prior year profits.	60,000	-	-	-
(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
- franking account balance at the end of the financial year at 30%			250,000	-
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			-	-
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date			160,052	-
- franking debits that will arise from the payment of dividends as at the end of the financial year.			(141,659)	-
			<u>268,393</u>	<u>-</u>
As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been reinstated to a tax paid amount by multiplying the class C franking surplus by 30/70.				
6 CASH ASSETS				
Monies on deposit	1,569,224	850,000	1,569,224	850,000
Cash at bank and on-hand	1,259,944	67,615	252,174	67,613
	<u>2,829,168</u>	<u>917,615</u>	<u>1,821,398</u>	<u>917,613</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Consolidated		Treasury Group Limited	
		2002 \$	2001 \$	2002 \$	2001 \$
7 RECEIVABLES					
Current					
Trade debtors - other parties		2,021,373	-	1,922	-
Sundry debtors		152,476	4,557	-	4,557
Interest Receivable		6,433	-	6,433	-
Goods & Services Tax receivable		-	123	-	123
Trade Debtors receivable from related company's					
- Wholly owned entity		-	-	99,000	-
- Partly owned controlled entities		-	-	94,407	-
- Associated entity		-	-	26,237	-
Amounts other than trade debts receivable from related companies					
- dividend receivable from partly-owned controlled entity		-	-	160,052	-
- loan to associated entity		109,642	-	109,642	-
		<u>2,289,924</u>	<u>4,680</u>	<u>497,693</u>	<u>4,680</u>
(a) The carrying amounts of accounts receivable approximate net fair values. Net fair values have been determined by reference to the present value of future net cash flows. Trade Debtor accounts are subject to normal terms of trade, which provide for settlement within 30 days. The maximum credit risk exposure of financial assets is the carrying amount.					
8 INVESTMENTS					
Current					
Listed Shares - at cost		1,270,341	1,297,439	-	-
- Provision for diminution of investment		-	(109,605)	-	-
Units in Managed Investment Trust- at cost		895,948	-	-	-
		<u>2,166,289</u>	<u>1,187,834</u>	<u>-</u>	<u>-</u>
9 OTHER CURRENT ASSETS					
Security Deposits		270	-	-	-
Prepayments		124,950	-	-	-
		<u>125,220</u>	<u>-</u>	<u>-</u>	<u>-</u>
10 INVESTMENTS					
Non Current					
Unlisted controlled entities - at cost		-	-	3,170,463	2
		<u>-</u>	<u>-</u>	<u>3,170,463</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Consolidated		Treasury Group Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
11 EQUITY ACCOUNTED INVESTMENTS					
Non Current					
Investment in associates	11(a)	542,545	67,087	550,000	55,000

11(a) Interest in associates

Name	Principal Activities	Ownership Interest		Carrying amount of investment	
		2002	2001	2002	2001
		\$	\$	\$	\$
Armytage private Ltd	(a) Funds management	-	20%	-	67,087
Group Funds Management Pty Ltd	(b) Funds management	25%	-	542,545	-
				<u>542,545</u>	<u>67,087</u>

- (a) A further 30% interest in Armytage private Limited was acquired on 1 June 2002 and as such the entity became a controlled entity from that date.
(b) 25% interest in Group Funds Management Pty Ltd was acquired on 5 July 2001.

	Consolidated	
	2002	2001
	\$	\$
(i) Carrying amount of investment in associate		
Balance at beginning of the financial year	67,087	52,143
Add:		
New investments during the year	550,000	-
Less:		
Investments transferred to controlled entity	(52,946)	-
Share of associated company's profit/(loss) from ordinary activities after tax	(21,596)	14,944
Carrying amount of investment in associate at end of financial year	<u>542,545</u>	<u>67,087</u>
(ii) Retained earnings attributable to associate:		
Share of associate's profit/(loss) from ordinary activities before income tax expense	(21,596)	21,041
Share of associate's income tax expense	-	(6,097)
Share of associate's profit/(loss) from ordinary activities after income tax	(21,596)	14,944
Share of retained profits at beginning of the financial year	15,522	578
Share of retained profits transferred to controlled entity (Including current year result)	(1,381)	-
Share of retained profits at end of the financial year	<u>(7,455)</u>	<u>15,522</u>
(iii) Share of associates assets and liabilities		
Current Assets	51,602	398,110
Non Current Assets	55,457	5,996
Total Assets	<u>107,059</u>	<u>404,106</u>
Current Liabilities	27,237	46,488
Non Current Liabilities	109,642	-
Total Liabilities	<u>136,879</u>	<u>46,488</u>
Net Assets	<u>(29,820)</u>	<u>357,618</u>

Associate entity did not have any commitments or contingent liabilities at 30 June 2002.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

12 INTERESTS IN SUBSIDIARIES

Name	Note	Country of Incorporation	Percentage of equity held by consolidated entity		Investment	
			2002	2001	2002	2001
					\$	\$
Armytage private Ltd	(a)	Australia	50%	20.00%	299,591	55,000
Investors Mutual Ltd	(b),(d)	Australia	50%	-	2,869,925	-
Treasury Capital Management Pty Ltd		Australia	100%	100%	2	2
Aust Value Funds Mgt P/L	(c)	Australia	100%	-	945	-
					<u>3,170,463</u>	<u>55,002</u>

(a) Entity became a subsidiary on 1 June 2002 following additional investment of 30% by parent entity.

(b) Entity was acquired on 1 July 2001.

(c) Entity was acquired on 15th March 2002.

(d) Includes \$250,000 dividend reinvested in the subscription of additional shares in Investors Mutual Limited.

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
13 PROPERTY PLANT & EQUIPMENT				
Furniture, fittings & office equipment at cost	272,192	-	34,653	-
accumulated depreciation	(66,794)	-	(1,223)	-
	<u>205,398</u>	<u>-</u>	<u>33,430</u>	<u>-</u>
Computer licence fees at cost	34,147	-	30,700	-
accumulated depreciation	(6,378)	-	(4,762)	-
	<u>27,769</u>	<u>-</u>	<u>25,938</u>	<u>-</u>
Website at cost	2,395	-	2,020	-
accumulated amortisation	(354)	-	(307)	-
	<u>2,041</u>	<u>-</u>	<u>1,713</u>	<u>-</u>
Leasehold improvements at cost	13,327	-	13,327	-
accumulated amortisation	(514)	-	(514)	-
	<u>12,813</u>	<u>-</u>	<u>12,813</u>	<u>-</u>
Total	<u>248,021</u>	<u>-</u>	<u>73,894</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

(a) Reconciliations	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
<i>Furniture, fittings & office equipment</i>	\$	\$	\$	\$
Carrying value at beginning	-	-	-	-
Acquired assets of controlled entity	69,396	-	-	-
Additions	183,242	-	34,653	-
Disposals	-	-	-	-
Depreciation expense	(47,240)	-	(1,223)	-
	<u>205,398</u>	<u>-</u>	<u>33,430</u>	<u>-</u>
<i>Computer licence fees</i>				
Carrying value at beginning	-	-	-	-
Acquired assets of controlled entity	1,986	-	-	-
Additions	30,700	-	30,700	-
Disposals	-	-	-	-
Depreciation expense	(4,917)	-	(4,762)	-
	<u>27,769</u>	<u>-</u>	<u>25,938</u>	<u>-</u>
<i>Website</i>				
Carrying value at beginning	-	-	-	-
Additions	2,364	-	2,020	-
Disposals	-	-	-	-
Depreciation expense	(323)	-	(307)	-
	<u>2,041</u>	<u>-</u>	<u>1,713</u>	<u>-</u>
<i>Leasehold improvements</i>				
Carrying value at beginning	-	-	-	-
Additions	13,327	-	13,327	-
Disposals	-	-	-	-
Depreciation expense	(514)	-	(514)	-
	<u>12,813</u>	<u>-</u>	<u>12,813</u>	<u>-</u>
14 INTANGIBLE ASSETS				
Formation Costs	1,779	-	-	-
Goodwill	2,003,348	-	75,000	-
Accumulated amortisation	(104,377)	-	(15,000)	-
	<u>1,900,750</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
15 OTHER ASSETS				
Non Current				
Amounts other than trade debts receivable from related companies				
- loan to wholly owned controlled entity	-	-	1,389,913	1,289,797
	<u>-</u>	<u>-</u>	<u>1,389,913</u>	<u>1,289,797</u>
16 PAYABLES				
Current				
Trade Creditors	442,503	-	39,290	-
Other Creditors & accruals	377,357	20,771	68,269	20,771
Goods & Services Tax payable	155,668	-	3,807	-
	<u>975,528</u>	<u>20,771</u>	<u>111,366</u>	<u>20,771</u>

No amounts were due and payable to related parties at 30 June 2002.

The carrying amounts of accounts payable approximate net fair values. Net fair values have been determined by reference to the present value of future net cash flows. Accounts payables and Other creditors are subject to normal terms of trade which provide for settlement within 30 days.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
17 PROVISIONS				
Current				
Dividend payable	301,607	45,310	141,659	45,310
Employee entitlements	75,956	-	14,807	-
	<u>377,563</u>	<u>45,310</u>	<u>156,466</u>	<u>45,310</u>
18 OTHER LIABILITIES				
Current				
Prepaid Income	-	545	-	545
	<u>-</u>	<u>545</u>	<u>-</u>	<u>545</u>
19 CONTRIBUTED EQUITY				
(a) Issued and paid up capital:				
Ordinary shares fully paid up	8,894,945	3,967,348	8,894,945	3,967,348
	<u>8,894,945</u>	<u>3,967,348</u>	<u>8,894,945</u>	<u>3,967,348</u>
(b) Movements in Shares on Issue				
	2002		2001	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	9,061,925	3,967,348	9,061,925	3,967,348
Issued during the year				
- purchase of Share Broking Agency	150,000	75,000	-	-
- purchase of controlling interest in subsidiaries or associate company's.	3,754,000	2,248,000	-	-
- conversion of options	700,000	525,000	-	-
- private placement for working capital	500,000	2,100,000	-	-
Transaction costs attributed to private placement.	-	(20,403)	-	-
End of the financial year	<u>14,165,925</u>	<u>8,894,945</u>	<u>9,061,925</u>	<u>3,967,348</u>
(c) Share Options				
During the year the company granted options to directors and executives under the terms of the Officers and Executive Option Plan. Details in relation to the amount issued and exercise price are contained in Note 24.				
At 30 June 2002 there were 6,265,000 (2001:1,715,000) unissued ordinary shares in respect of which options are outstanding.				
(d) Terms and Conditions of Contributed Equity				
<i>Ordinary shares</i>				
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to number and amounts paid up on shares held, Ordinary shares entitle their holder to one vote, either in person or by proxy, at the meeting of the company.				
20 ACCUMULATED LOSSES				
Accumulated Losses				
Accumulated Losses at the beginning of the financial year	(1,856,758)	(1,881,506)	(1,766,882)	(1,874,997)
Net Profit after Income Tax	259,146	115,368	309,125	198,735
Dividends provided for or paid	(141,659)	(90,620)	(141,659)	(90,620)
	<u>(1,739,271)</u>	<u>(1,856,758)</u>	<u>(1,599,416)</u>	<u>(1,766,882)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

21 OUTSIDE EQUITY INTERESTS

	Consolidated	
	2002	2001
	\$	\$
Reconciliation of outside equity interests in controlled entities:		
Opening balance	-	-
Outside Equity Interests upon acquisition	1,239,013	-
Add share of operating profit	451,277	-
Less dividends	(409,948)	-
Closing balance	<u>1,280,342</u>	<u>-</u>

22 NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of cashflow from operations with profit from ordinary activities after income tax

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
Profit/(Loss) from ordinary activities after income tax	710,423	115,368	309,125	198,735
Depreciation and Amortisation	157,371	-	21,806	-
Profit on sale of shares	(165,700)	(5,751)	-	-
Management Fee	-	-	-	(180,000)
Share of (profit)/loss in Associate	21,596	(14,944)	-	-
Dividends Reinvested in Controlled Entity	-	-	(250,000)	-
Other	(32,595)	(123)	(6,977)	(123)
<i>Changes in Assets and Liabilities:</i>				
(Increase) / decrease in other assets	(44,665)	(3,338)	-	(4,260)
(Increase) / decrease in Future Income tax Benefit	(2,354)	-	-	-
(Increase) / decrease in trade debtors	(1,353,315)	937	(377,060)	937
(Increase) / decrease in equities	-	(5,445)	-	-
(Increase) / decrease in investments	(516,312)	(63,085)	(100,116)	-
(Increase) / decrease in prepayments	(79,165)	-	-	-
Increase/(decrease) in trade creditors	469,694	(136)	86,001	(135)
Increase/(decrease) in other creditors & accruals	10,825	(76,362)	-	(76,362)
Increase/(decrease) in GST Clearing Account	72,160	-	3,929	-
Increase/(decrease) in other liabilities	(84,005)	545	-	545
Increase/(decrease) in Dividend provision	-	-	-	-
Increase/(decrease) in provision for employee entitlements	26,779	-	15,593	-
Increase / (Decrease) in Income Tax Provision	411,232	-	-	-
Cashflow from operating activities	<u>(398,031)</u>	<u>(52,334)</u>	<u>(297,699)</u>	<u>(60,663)</u>

(b) Reconciliation of cash

Cash balance comprises:				
- cash assets	<u>2,829,168</u>	<u>917,615</u>	<u>1,821,398</u>	<u>917,613</u>
Closing cash balance	<u>2,829,168</u>	<u>917,615</u>	<u>1,821,398</u>	<u>917,613</u>

(c) Financing facilities available

Treasury Group Limited and controlled entities, does not currently have any financing facilities available.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

(d) Non-cash Financing and Investing Activities

Dividend Reinvestment

During the year Treasury Group Limited received a dividend of \$250,000 from a partly controlled entity which was paid via the issue of 250,000 shares.

(e) Acquisition of Controlled Entity

On 1 July 2001, Treasury Group Limited acquired 50% of the voting share capital of Investors Mutual Limited, an unlisted entity specialising in wholesale funds management. In addition, on 1 June 2002 Treasury Group Limited acquired an additional 30% interest in Armytage private Limited, taking the company's total interest in the voting share capital of Armytage to 50%. Components of the acquisition cost were:

Consideration	\$
- shares issued	1,618,000
- cash paid	1,247,461
	<u>2,865,461</u>

Net assets of controlled entities acquired at the date of acquisition:

- cash	354,228
- receivables	1,056,015
- other assets	1,284,612
- property, plant and equipment	72,303
	<u>2,767,158</u>
- payables	637,798
- provisions	41,311
- other liabilities	103,824
	<u>782,933</u>
fair value of net assets acquired (i)	992,113
less investment made in controlled entity in prior periods	(55,000)
goodwill arising on acquisition	1,928,348
	<u>2,865,461</u>

Net cash effect	
Cash consideration paid	1,247,461
Cash included in net assets acquired	354,228
Cash paid for controlled entity as reflected in the consolidated financial report	<u>893,233</u>

(i) The fair value is based on the 50% interest acquired by Treasury Group Limited.

There were no acquisitions or disposals in 2001.

23 EXPENDITURE COMMITMENTS

<i>Operating Leases</i>	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
Future operating lease commitments not provided for in the financial statements and payable:	\$	\$	\$	\$
Within One Year	240,374	4,897	65,454	-
One year or later and no later than five years	565,517	1,484	30,261	-
Later than five years	-	-	-	-
	<u>805,891</u>	<u>6,381</u>	<u>95,715</u>	<u>-</u>

The entity leases property under non cancellable operating leases. Leases generally provide the entity with a right to renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an increment contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

24 EMPLOYEE ENTITLEMENTS AND COMMITMENTS

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
Employee Entitlements				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	48,849	-	45,157	-
Provisions (Current)	75,956	-	14,807	-
Provisions (Non Current)	-	-	-	-
	<u>124,805</u>	<u>-</u>	<u>59,964</u>	<u>-</u>

Officer and Executive Option Plan

An Officer and Executive Option Plan has been established where directors, executives and certain members of staff of the consolidated entity are issued with options over the ordinary shares of Treasury Group Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Treasury Group Limited. The options are issued for a term of five years and are not quoted on the ASX. There are currently three directors, three executives and thirteen staff eligible for this scheme.

The company utilises the binomial option-pricing model to calculate the fair value of each individual issuance of options. The per-share weighted average fair value of share options granted during 2002 was \$0.023. Option fair values are determined at grant date using the following assumptions:

- Risk-free interest rate of 5.54%
- Dividend yield of 1.8%
- Market Closing price for shares as at grant date
- Expected share price volatility factor of 1.02%
- An expected life for options of five years

Information with respect to the number of options granted under the Officer and Employee Option Plan is as follows:

	2002		2001	
	Number of options	Weighted Avg exercise price	Number of options	Weighted Avg exercise price
Balance at beginning of year	1,715,000	\$0.75	965,000	\$0.75
- granted	5,250,000	\$0.82	750,000	\$0.75
- forfeited	-	-	-	-
- exercised	(700,000)	\$0.75	-	-
Balance at end of year	<u>6,265,000</u>	<u>\$0.81</u>	<u>1,715,000</u>	<u>\$0.75</u>
Exercisable at end of year	<u>2,715,000</u>	<u>\$0.83</u>	<u>1,715,000</u>	<u>\$0.75</u>

The following table summarises information about options outstanding and exercisable at 30 June 2002.

Option Price	Options	Outstanding		Exercisable	
		Weighted Avg Option Life	Weighted Avg Option Price	Number of Options	Weighted Avg Option Price
\$0.50 - \$0.99	5,315,000	3.8	\$0.67	1,915,000	\$0.70
\$1.00 - \$1.99	750,000	4.4	\$1.00	750,000	\$1.00
\$2.00 - \$2.99	-	-	-	-	-
\$3.00 - \$4.00	200,000	4.4	\$3.44	50,000	\$3.00
Total	<u>6,265,000</u>	3.9	\$0.81	<u>2,715,000</u>	\$0.83

Superannuation commitments, Treasury Group Limited does not provide any defined benefits schemes for its employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

25 CONTINGENT LIABILITIES

During the year the company entered into an agreement with an associated entity to provide working capital to the associate, if required.
The maximum amount of this facility is \$1,500,000 and at 30 June 2002 the associate had drawn down on the facility to the extent of \$109,642. The terms and conditions of the facility require the associate to repay any funds drawn down in full.

26 EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

27 EARNINGS PER SHARE

	2002	2001
Basic Earnings (Cents Per Share)	2.20	1.27
Diluted Earnings (Cents Per Share)	1.70	1.27

The following reflects the income and share data used in the calculations of basic and diluted earnings per share (EPS)

	Consolidated	
	2002	2001
	\$	\$
Net profit	710,423	115,368
<i>Adjustments:</i>		
Net profit attributable to outside equity interest	(451,277)	-
Earnings used in calculating basic and diluted EPS	<u>259,146</u>	<u>115,368</u>

	Number of Shares 2002	Number of Shares 2001
Weighted average number of shares	11,998,846	9,061,925
Effect of dilutive securities:		
Share options	2,828,414	-
Adjusted weighted average number of shares used in calculating basic EPS	<u>14,827,260</u>	<u>9,061,925</u>

Conversions, subscriptions or issues after 30 June 2002

Since the end of the financial year, there has been no ordinary shares issued
Since the end of the financial year and prior to signing the financial statements by Directors, an issue of 1,000,000 potential ordinary shares have been granted to executives under the Treasury Group Limited Officers and Employees Option Plan.

28 REMUNERATION OF AUDITORS

Amounts received or due and receivable by Ernst & Young in connection with:

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
- an annual audit or review of the financial report of the entity and any other entity in the consolidated entity	61,500	-	54,500	-
- other services in relation to the entity and any other entity in the consolidated entity	42,904	-	-	-
	<u>104,404</u>	<u>-</u>	<u>54,500</u>	<u>-</u>

Amounts received or due and receivable by other auditors other than Ernst & Young in connection with:

- an annual audit or review of the financial report of the entity and any other entity in the consolidated entity	-	17,815	-	17,815
	<u>-</u>	<u>17,815</u>	<u>-</u>	<u>17,815</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

29 REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

	Consolidated		Treasury Group Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
(a) Directors remuneration				
Income paid or payable to all directors of each entity in the consolidated entity by the entities of which they are directors or any related party:	801,456	-		
Income paid or payable to all directors of Treasury Group Limited from the entity or any related party:			474,000	-
Number of directors of Treasury Group Limited whose income (including superannuation contributions) falls within the following bands is:				
	No.	No.	No.	No.
\$ 0 - \$ 9,999	3	4	3	4
\$ 20,000 - \$ 29,999	1	-	-	-
\$ 70,000 - \$ 79,999	1	-	-	-
\$ 200,000 - \$ 209,999	1	-	-	-
\$ 470,000 - \$ 479,999	1	-	1	-

These amounts are disclosed in aggregate, as the directors believe that the provision of full disclosure would be unreasonable, having regard to the number of persons involved. However, included in the consolidated and company amounts in (a) above is compensation expense of \$24,000 (2001: Nil) which has not been recognised in the financial statements, relating to the fair value of share options granted to directors during the year (see note 24).

(b) Executives remuneration

Remuneration of executives of the consolidated entity who received remuneration of \$100,000 or more from the entities in the consolidated entity or a related party in connection with the management of the entities whether as an executive officer or otherwise:

200,000 -

Remuneration of executives of the company who received remuneration of \$100,000 or more from the company or any related party in connection with the management of the company's affairs whether as an executive officer or otherwise:

- -

The fair value of options granted to executives, who earned greater than \$100,000, were measured at grant date, measurement \$nil (2001: nil).

	No.	No.	No.	No.
The number of executives of the consolidated entity and company whose remuneration falls within the following bands:				
\$ 200,000 - \$ 209,999	1	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

30 RELATED PARTY DISCLOSURES

(a) Directors

Directors of the parent entity in office at any time during the year:

Michael Brendan Patrick deTocqueville	(Retired from office 14 August 2002)
Lee Darion Peter laFrate	
Timothy Michael Poole	
Rodney Green	(Appointed 14 November 2001)

(b) Wholly owned group transactions

All transactions between the company and its wholly owned subsidiaries are disclosed in Notes 5 to 16.
All transactions are made under normal commercial terms and conditions.

(c) Other related party transactions

Partly-owned Controlled Entities

All transactions between the company and its partly owned controlled entities are disclosed in Notes 5 to 16.
All transactions are made under normal commercial terms and conditions

Associated Entities

Advance of \$109,642 (2001: \$Nil) made by the company to an associate company. The advance has been in accordance with a working capital loan facility and is a long-term basis, interest is charged on a daily basis in accordance with the loan agreement.

(d) Director and directed-related transactions

Shares representing 30% of the issued capital of Armytage private Limited (formerly Australian Value Funds Management Limited) a company which Mr L laFrate, Mr T. Poole and Mr M. deTocqueville are Directors were acquired at their fair market value.

The remaining 50% is held by Mr L. laFrate through a director related entity.

During the year, 25% interest in Group Funds Management Pty Ltd was acquired for \$550,000 via the issue of 1,000,000 shares.

The remaining 75% is held by Mr R. Green through a director related entity.

During the year, 50% interest in Investors Mutual Limited was acquired. The remaining 50% is held by Mr A. Tagliaferro through a director related entity.

There have been no other transactions between the company and directors or directed related entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

(e) Equity instruments of directors

Interests at balance date

Interests in equity instruments of Treasury Limited held by directors of the reporting entity and their director-related entities:

	Ordinary Shares (fully paid) 2002	Ordinary Shares (fully paid) 2001	Options over ordinary shares 2002	Options over ordinary shares 2001
Lee Darion Peter laFrate	1,547,053	1,297,053	500,000	500,000
Timothy Michael Poole	12,000	12,000	-	-
M. de Tocqueville	70,000	78,000	750,000	500,000
Rodney Green	1,200,000	-	1,800,000	-

Options issued to directors as remuneration in 2002.

Terms and Conditions for each grant (2)

Directors	Number Vesting	Number Granted	Fair Value \$ Granted (1)	Exercise \$ Price p/share	First Date of Exercise	Last Expiry Date
R. Green	300,000	300,000	\$ 15,000	\$ 0.60	1/07/2001	1/07/2006
R. Green	900,000	900,000	\$ 9,000	\$ 0.65	16/07/2001	1/07/2006
R. Green	-	300,000	\$ -	\$ 0.70	1/07/2003	1/07/2006
R. Green	-	300,000	\$ -	\$ 0.75	1/07/2004	1/07/2006
L. lafrate	250,000	250,000	\$ -	\$ 1.00	16/11/2001	30/11/2006
M. de Tocqueville	250,000	250,000	\$ -	\$ 1.00	16/11/2001	30/11/2006

(1) Fair values calculated as explained in Note 24.

(2) All grants vest upon the first date on which the options can be exercised. No amount is payable by the director or executive on grant or vesting. Options are exercisable once vested and expire 5 years from the date of granting.

Shares issued on exercise of director options in 2002

	Shares issued Number	Paid \$ per share	Unpaid \$ per share	Market price on Exercise Date
Directors Mr L. lafrate	250,000	\$ 0.75	-	\$ 2.20

Options held by directors at 30 June 2002

Director	Balance beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance end of year
Mr R. Green	-	1,800,000	-	-	1,800,000
Mr L. lafrate	500,000	250,000	250,000	-	500,000
Mr M. de Tocqueville	500,000	250,000	-	-	750,000

Director	Vested at year end	Exercisable at year end	Fair Value (1)
Mr R. Green	1,200,000	1,200,000	\$ 24,000.00
Mr L. lafrate	250,000	500,000	-
Mr M. de Tocqueville	250,000	750,000	-

(1) Fair Value of options calculated as explained in note 24.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

31 SEGMENT INFORMATION

The consolidated entity operates in one business segment, being financial services, solely in Australia.

32 FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

The consolidated entity's exposures to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Floating Interest Rate	Fixed Interest maturing 1 yr or less.	Fixed Interest maturing 1 to 5 years	Fixed Interest maturing in more than 5 years	Non-Interest bearing	Total carrying amount as per Statement of Financial Position	Weighted Average Interest Rate
(i) 2002							
<i>Financial assets</i>							
Cash	1,259,944	1,569,224	-	-	-	2,829,168	4.2%
Tax Assets	-	-	-	-	24,442	24,442	N/A
Receivables	-	-	-	109,642	2,180,282	2,289,924	0.4%
Investments	-	-	-	-	2,166,289	2,166,289	N/A
Other	-	-	-	-	125,220	125,220	N/A
TOTAL	1,259,944	1,569,224	-	109,642	4,496,233	7,435,043	
<i>Financial liabilities</i>							
Accounts payable	-	-	-	-	975,528	975,528	N/A
Provisions	-	-	-	-	377,563	377,563	N/A
Current Tax Liability	-	-	-	-	337,252	337,252	N/A
TOTAL	-	-	-	-	1,690,343	1,690,343	
(ii) 2001							
<i>Financial assets</i>							
Cash	917,615	-	-	-	-	917,615	4.9%
Receivables	-	-	-	-	4,557	4,557	N/A
Investments	-	-	-	-	1,255,044	1,255,044	N/A
TOTAL	917,615	-	-	-	1,259,601	2,177,216	
<i>Financial liabilities</i>							
Accounts payable	-	-	-	-	20,771	20,771	N/A
TOTAL	-	-	-	-	20,771	20,771	

(b) Fair net values

All financial assets and liabilities have been recognised at the balances date at their fair value.

(c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

Directors Declaration

In accordance with a resolution of the directors of Treasury Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with Corporations Act 2001, including;

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



L. Iafrate
Director

Melbourne 10 September 2002

INDEPENDENT AUDIT REPORT

To the members of Treasury Group Limited

Scope

We have audited the financial report of Treasury Group Limited for the financial year ended 30 June 2002, as set out on pages 12 to 36, including the Directors' Declaration. The financial report includes the financial statements of Treasury Group Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Treasury Group Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Ernst & Young



AJ (Tony) Johnson
Partner
Melbourne

Date: 17 September 2002

TREASURY GROUP LIMITED

OTHER INFORMATION

Australian Stock Exchange Requirements

SHAREHOLDINGS

The distribution of members and their holdings as at 30 September 2002 as per the Register of Members was as follows:-

Category	Fully Paid Shares	
	No. of Holders	No. of Shares
1 - 1,000	293	251,374
1,001 - 5,000	202	539,831
5,001 - 10,000	45	364,891
10,001 - 100,000	68	2,119,456
100,001 - and over	16	11,162,375
	<u>624</u>	<u>14,437,927</u>

The Top 20 shareholders of the company as at 30 September 2002 were:-

Name of Shareholder	No. of shares	%
1 AKAT Investments Pty Ltd	2,500,000	17.3%
2 Squitchy Lane Holdings Pty Ltd	2,151,500	14.9%
3 Top Pocket Pty Ltd	1,547,053	10.7%
4 Mini Investments Pty Ltd	1,200,000	8.3%
5 Banson Nominees Pty Ltd	847,072	5.9%
6 Simmons Investment Ltd	608,900	4.2%
7 Leyland Ltd	490,990	3.4%
8 Mr Peter A. Bancroft C/ Bancroft Super	434,000	3.0%
9 Permanent Trustee Australia Ltd	300,000	2.1%
10 Catholic Church Insurances Ltd	278,500	1.9%
11 Leyland Ltd C/ Tower Trust	181,560	1.3%
12 IFAN Pty Ltd	174,800	1.2%
13 C P H I C Investments Pty Ltd	150,000	1.0%
14 Mr Hugh Wallace	150,000	1.0%
15 Conpress Ventures Pty Ltd	148,000	1.0%
16 Mr Peter A. Bancroft	100,000	0.7%
17 Denvor Corporation Holdings Pty Ltd	100,000	0.7%
18 R I Wilson	100,000	0.7%
19 Harkosi Securities Pty Ltd	78,600	0.5%
20 David W Lee & Associates Pty Ltd	70,500	0.5%
	<u>11,611,475</u>	80.4%
Total share on issue 30 September 2002	<u>14,437,927</u>	100.0%

The percentage holding of the twenty largest shareholders as per the Register of Shareholders was 80.4%.

No securities of the company have been classified by the ASX as vendor securities.

TREASURY GROUP LIMITED

VOTING RIGHTS

The Company's constitution stipulates the voting rights of members. In summary, but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney, shall have one vote on a show of hands and, on a poll, one vote for each share held by him.

The Company's ordinary shares are quoted on Australian Stock Exchange Limited.

The options are not listed.

SUBSTANTIAL SHAREHOLDERS

As at 16 September 2002, notices of substantial shareholders lodged with the Company were:-

	Shareholding at date of substantial shareholder notice.		Shareholding as at 16/09/2002	
HFM Investments Pty Ltd; Squitchy Lane Holdings Pty Ltd; Hastings Funds Management Ltd; Michael Clifford Fitzpatrick.	2,035,000	15.06%	2,151,500	15.2%
Top Pocket Pty Ltd	1,547,053	11.45%	1,547,053	10.9%

TREASURY GROUP LIMITED

DIRECTORS AND OTHER CORPORATE INFORMATION

DIRECTORS: Lee Darion Peter laFrate - Chairman
Rodney Green - Managing Director
Timothy Michael Poole

COMPANY SECRETARY: Robert Kipp

**REGISTERED OFFICE
AND PRINCIPAL PLACE
OF BUSINESS:** Level 15
90 Collins Street
Melbourne Victoria 3000
Telephone: 03 - 9671 - 3667
Facsimile: 03 - 9639 - 0311
www.treasury-group.com

BANKERS: BANK OF MELBOURNE
360 Collins Street
Melbourne Victoria 3000

SOLICITORS: NORTON GLEDHILL
Commercial Lawyers
Level 23
459 Collins Street
Melbourne Victoria 3000

AUDITORS: ERNST & YOUNG
120 Collins Street
Melbourne Victoria 3000

SHARE REGISTRAR: COMPUTERSHARE REGISTRY SERVICES PTY LTD
Level 12
565 Bourke Street
Melbourne Victoria 3000