To be the leading supporter of boutique funds management businesses in Australia

Treasury Group Limited
Annual Report

2007

Contents

AGM

Treasury Group Limited's Annual General Meeting will be held at the AGL Theatre, The Museum of Sydney, 37 Philip Street, Sydney on 14 November 2007 commencing at 10.00am. All shareholders are invited to attend and are entitled to be present.

Shareholders who are unable to attend the Annual General Meeting, but choose to vote on the proposed resolutions, are encouraged to complete a proxy form and lodge it at least 48 hours prior to the meeting with our share registry.

Treasury Group Ltd
ABN 39 006 708 792

Introduction

What is the secret to great funds management and sustained performance excellence? We believe that the answer lies in the experience and skill of a fund manager's key investment professionals.

Treasury Group Limited (Treasury Group or the Company) commenced its focus on funds management in 1999 and has since grown to be a market leader in boutique fund management.

The successful business model that we have developed empowers investment professionals to do what they do best — manage client funds. Our unique model comprises a suite of support services and infrastructure that streamlines operations and allows the investment teams to focus on achieving better results for their clients.

Today, the group has grown to include six boutique fund managers, with group-wide funds under management exceeding $14.5 billion. The year ended 30 June 2007 has been a year of growth, as evidenced in our increased funds under management, earnings and dividends.

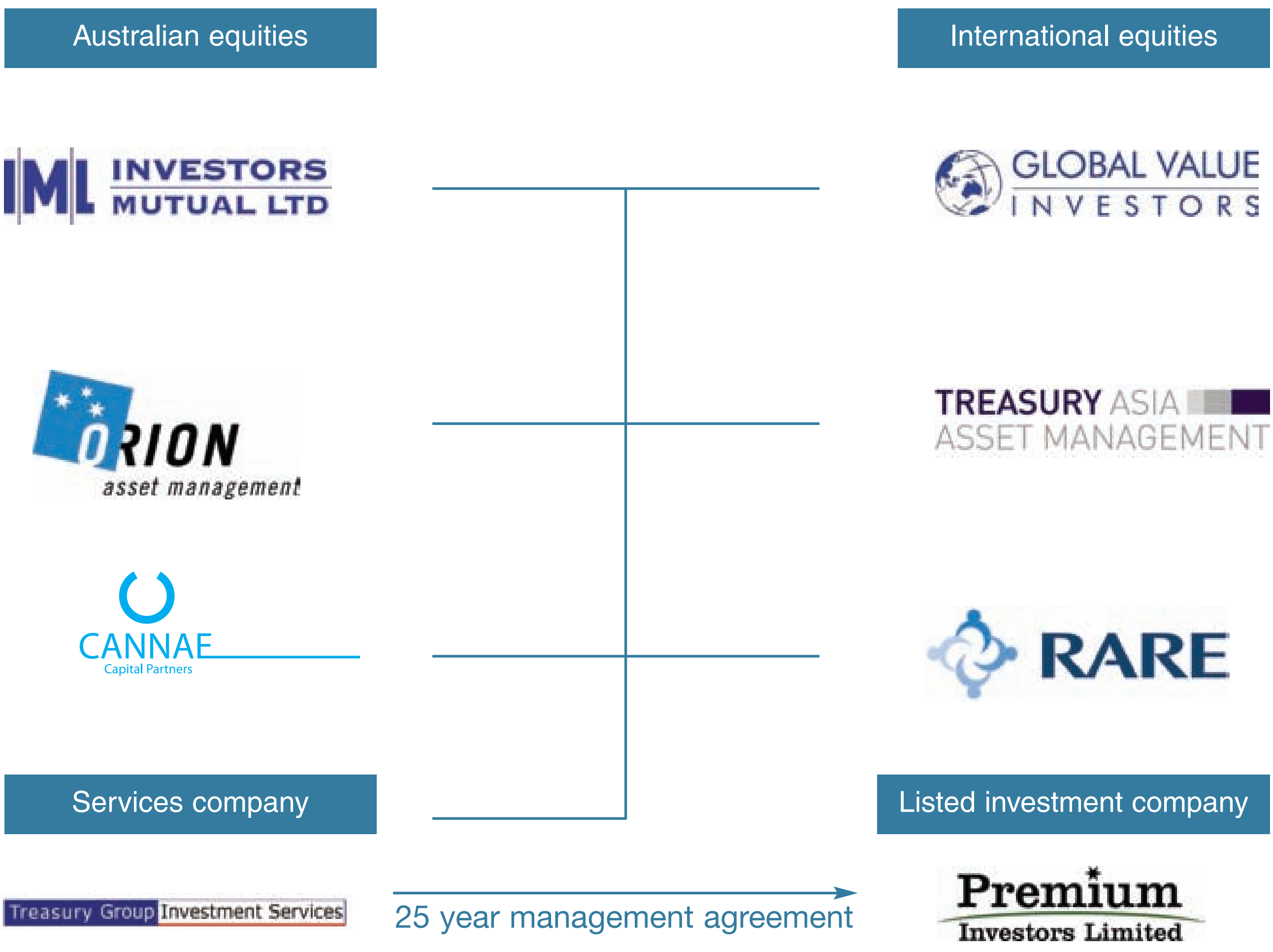
Whether you are a client of one of the boutiques or a shareholder in Treasury Group we trust you will have a long and rewarding association with us.

About us

Our business is to support talented fund managers in their own boutique funds management businesses.

Company Structure

Of our current suite of boutique asset managers, Treasury Group's longest standing relationship is with Investors Mutual Ltd. Other boutiques have followed over the years, with the current structure of the group being as follows:



Profile

The group currently includes six boutique fund management businesses. The first investments were in Australian equity managers, but we have since expanded to include three international equity managers.

In 2001, Treasury Group invested in Investors Mutual Limited (Investors Mutual), a value manager in Australian equities.

Orion Asset Management Limited (Orion), a growth manager in Australian equities, was formed with Tim Ryan in 2003.

Global Value Investors Limited (GVI), a value manager in international equities, was formed in early 2005 as a joint venture with Investors Mutual.

Treasury Asia Asset Management Limited (TAAM), a specialist in Asia Pacific equities, was formed in association with Peter Sartori in 2005.

In August 2006 RARE Infrastructure Limited (RARE) was formed specialising in global listed infrastructure.

The Company has entered into agreements to establish a new company, Cannae Capital Partners Limited (Cannae), led by Hugh Giddy. Cannae will invest in Australian and New Zealand equities, and will be operational from October 2007.

Vision

Treasury Group's vision is to be the leading developer of boutique funds management businesses in Australia. Our proven experience with boutique fund managers is based on our extensive network of valuable relationships, a robust back-office support capability and access to investment capital.

Mission

Our mission is to provide fund managers with full service capability and to maintain a culture based on partnering and support. The businesses will be founded on robust processes and systems and insightful knowledge of markets and clients. The goal is to achieve scalable returns in the medium term for the investment teams and our shareholders.

Values

We believe that the experience and skill of key investment professionals is critical when considering successful long-term investment goals. To back that up, we adopt a philosophy of supporting high quality investment professionals through lean and efficient operations, low bureaucracy, and a focus on long term business goals.

Chairman's Report

"The outlook for growth in 2008 is exciting as we assist in the continued development of our boutiques and look for new opportunities"
Mike Fitzpatrick, Chairman

Over the past year Treasury Group has had a strong year of organic growth with the continued success of our established boutiques and exciting growth of our new boutiques. Based on the performance of the businesses and the work on new initiatives, we believe that the group is well placed for continued growth.

Results

Another solid profit result was characterised by increasing diversification of earnings. The board approved a fully franked final dividend of 35 cents per share, bringing the annual dividend for 2006/2007 to a total of 60 cents per share (25 cents interim and 35 cents final). As announced in our half-year results the dividend policy is to pay a half-year dividend that is equal to half the previous full-year dividend (subject to no unexpected events). This gives shareholders a level of predictability in dividend payments.

It is very pleasing to advise our shareholders of the follow results:

- Revenue grew from $51.6 million to $58.2 million, an increase of 12.9%;
- Net profit after tax grew from $14.4 million to $18.0 million, an increase of 25.0%; and
- Funds under management increased from $10.1 billion to $14.5 billion, an increase of 43.2%

Strategy

Treasury Group has positioned itself as the leading Australian developer and supporter of boutique funds management businesses. The focus of the Company is to partner high calibre fund managers to create successful businesses, also to look for opportunistic acquisitions, and to develop relationships that Treasury Group can foster abroad. We are broadening our outlook to embrace new sectors and new markets. These initiatives will assist in further growth of the group offering and group profitability.

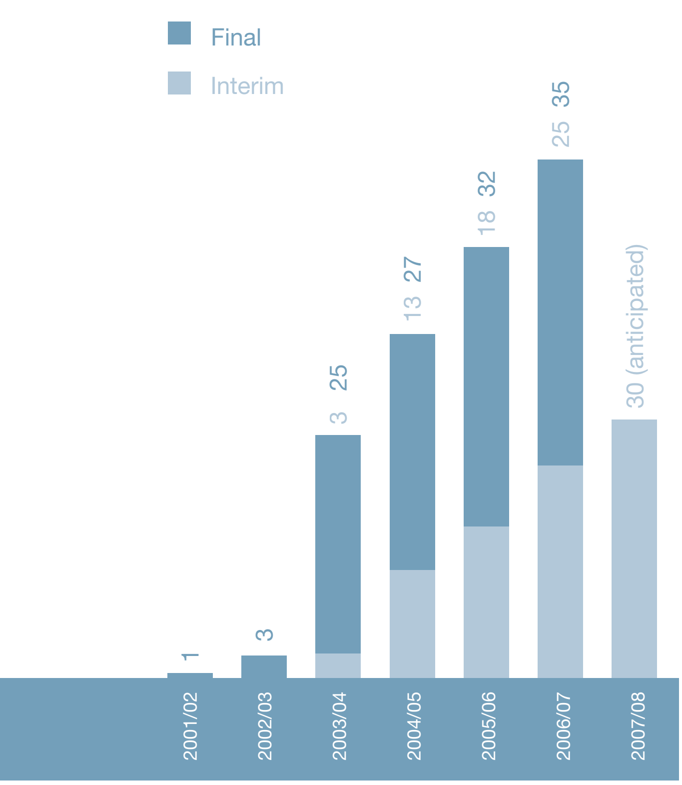
We recently came to a mutual decision with the Chief Investments Officer to close down our smaller companies boutique, Confluence Asset Management Limited (Confluence). This business was a strong performer with highly regarded investment professionals. That said, the business failed to reach scale in an acceptable period and key staff were keen to pursue other business interests outside of funds management. The contribution by Confluence to the group's bottom line was less than 2.0%.

Board Changes

In the past year Reubert Hayes joined the board of Treasury Group. Reub brings to Treasury Group a wealth of experience in funds management, particularly in boutique asset management, where he has proven experience and success in developing his own funds management business. His appointment adds strength in assessing and understanding the core business of Treasury Group and complements the skills and experience of the rest of the board.

Don Sharp resigned from the Board on the 16 May 2007 so that he could concentrate on other business interests. I wish to thank Don for the valuable contribution he made to Treasury Group while he was a director.

Dividends in Cents per Share



Outlook

Our more developed boutiques, Investors Mutual and Orion, are successful and enjoy solid client support. We anticipate a steady future with dependable recurring earnings.

Out of our three newer boutiques, GVI and TAAM have broken into profitable territory and RARE is also quickly developing into a profitable business. In addition, our recently announced boutique, Cannae, is staffed by an energetic and talented team of professionals. We will be paying careful attention to its development over the next twelve months, seeking to repeat the success we have had with other mainstream equity boutiques.

Treasury Group is continuing its sustained growth profile. We continue to make the changes necessary for further growth and to ensure the Group is able to move swiftly on opportunities as they are identified.

Under the management of our Managing Director, David Cooper, and his management team, the company looks to continued growth and profitability. On behalf of the Board I thank the team for their contributions this past year.

The outlook for growth in 2008 is exciting as we assist in the continued development of our boutiques and look for new opportunities.

M Fitzpatrick
Chairman

Managing Director's Report

"The market is becoming increasingly aware of the value and benefit of a boutique asset management culture."
David Cooper, Managing Director

It has been another year of growth for Treasury Group as our earnings are increasingly diversifying and the business is witnessing strong growth from businesses that have only been created in the last 2 – 3 years. I am pleased to report that the efforts of the board, staff within Treasury Group, and all staff across associated companies have resulted in another very successful year for the group.

Review of 2007 Financial Year

Company activity in 2006/2007 has been solid on a number of fronts, including growth in funds under management (local and global), group buying power, new boutiques and the continued assessment of opportunities.

During the year, GVI and TAAM experienced growth in funds under management that has now positioned these companies as profitable businesses. The year also witnessed the continuous organic growth of our managers through initiatives such as Orion's alliance with Trilogy Global Advisors LLC (Trilogy) and the opening of a Singapore office for TAAM as well as the addition of new investment products by our managers.

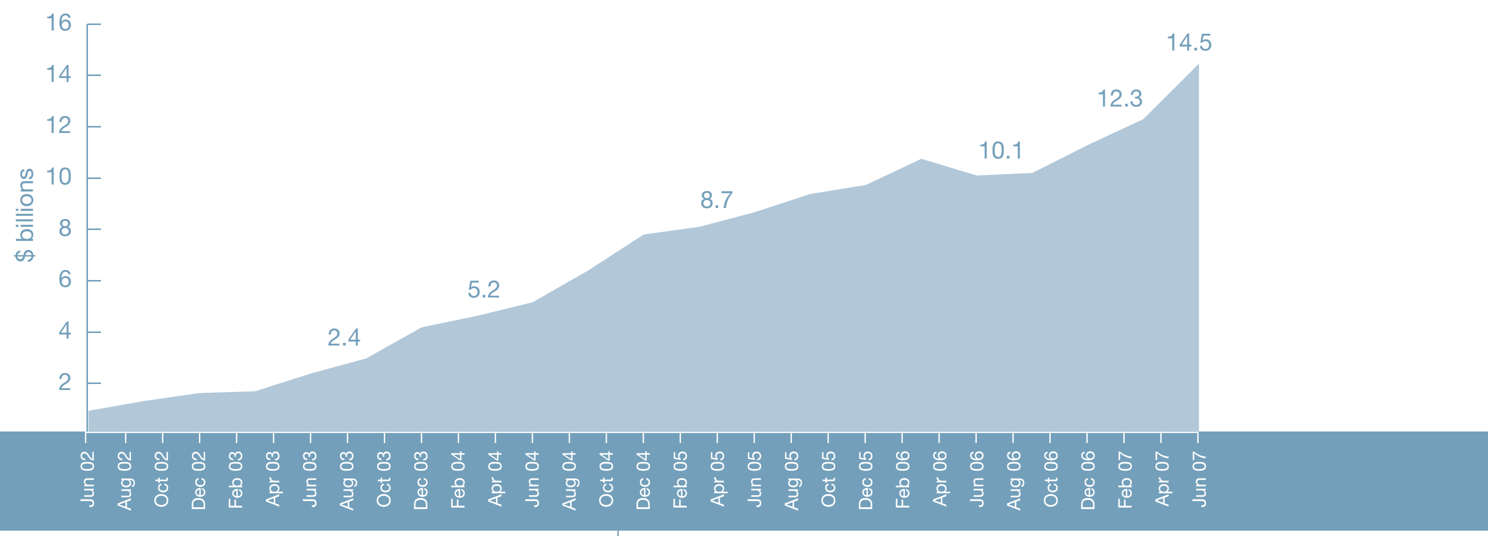
Treasury Group recently announced the launch of a new Australian and New Zealand equities manager to be led by the highly regarded Hugh Giddy. Early interest in this new business has been extremely positive.

Highlights

- Net profit after tax increased 25.0% to $18.0 million;
- Final fully franked dividend declared of 35 cents per share (cps), resulting in a 20.0% increase in the full year dividend of 60cps (50cps, 2005);
- No debt and cash balance of $24.6 million at year end;
- Group revenue increased 12.9% to $58.2 million;
- Growth to profitability of GVI, TAAM and RARE;
- Strong growth in Orion;
- Stable growth in Investors Mutual as the cycle begins to turn in favour of value managers;
- First full year for the new Treasury Group executive;
- Creation of a new boutique — Cannae;
- Launch of TG Investment Funds Plc, a Dublin based investment company to cater for European investors.

Funds Under Management ($ billions)

All Managers Associated with Treasury Group



Funds Under Management

One of the key measures of success for a funds management business is funds under management. Our managers have grown funds under management and we anticipate continued growth especially through our new managers as they increase their profile in the market and develop a longer performance history.

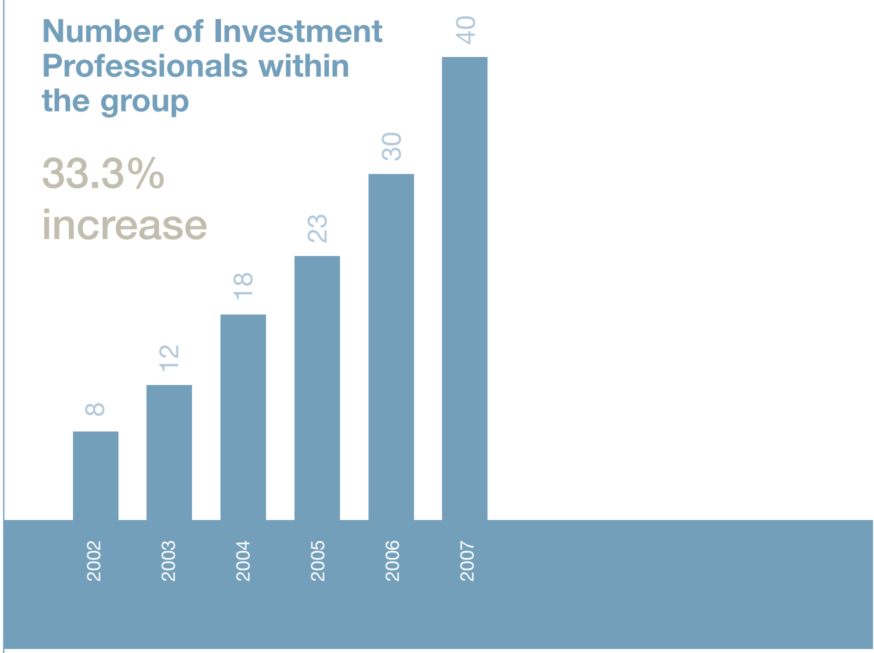
One of the key features of the business model is the ability to take a sensible approach to growing each boutique. We now have two well-established boutiques, three boutiques past the start-up phase and growing fast, and one new boutique opening its doors in October 2007.

Dividends

The total dividend for 2006/07 is 60 cents per share. This represents an increase of 20 percent over the dividend for 2005/06 of 50 cents per share. In February we announced a dividend policy of targeting an interim dividend that represents 50 percent of the previous year's total dividend (subject to no unexpected events). The payment of a consistent and growing dividend is an important part of our capital management plan.

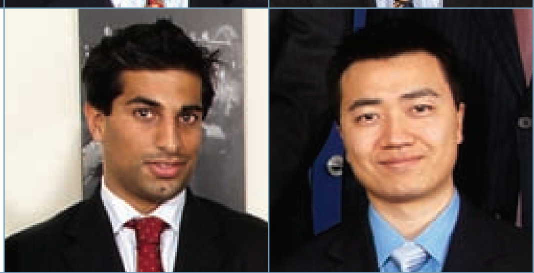
Number of Investment Professionals within the group

33.3% increase



Managing Director's Report continued






IML team: (L–R From top row) Simon Conn, Don Facchino, Peter Moller, Vessela Deltcheva, Paul Frost, Tim Hyett, Anton Tagliaferro, Rishi Khilnani, Jason Teh and Hugh Dive

Investors Mutual Limited

IML has grown steadily over the last nine years to become a highly regarded investment manager with a consistent 'quality and value' approach to managing client funds.

IML remains one of the few "true to label" value managers performing a very important role in client portfolios. Value investors seek to buy shares in companies that they regard as cheap and their investment style often tends to be contrarian in nature. Having said this IML focuses on buying shares in companies that they believe have a distinct competitive advantage in the sector in which they operate; which have a history of consistent, recurring earnings as well as the ability to grow earnings and dividends over time.
IML aims to create medium to long-term wealth for investors within its funds by applying an active and disciplined approach to managing its investments.

IML offers a range of wholesale funds that focus on Australian equities. These funds are available to investors through many of Australia's leading master trust and wrap services.

In summary, 2007 was an active year for IML:

- A number of new appointments were made to the investment team;
- Funds under management increased from $5.4bn to $6.0bn; and
- Retail support and positioning of IML remains strong.


Cannae team: (L–R From top row) David Greer, Hugh Giddy, Andy Forster, Daniel Mueller and Daniel Moore



Cannae Capital Partners Limited

Cannae will be operational from October 2007, and will invest in Australian and New Zealand equities. The team is headed by Hugh Giddy, who has extensive experience in managing Australian equity portfolios. The team that has been assembled is highly experienced and well regarded.

Managing Director's Report continued

The funds management and superannuation industry has continued to be buoyed by economic growth, solid returns from various asset classes and an increasing level of sophistication by Australian investors.

Confluence Asset Management Limited

A mutual decision has recently been made to wind down the operations of Confluence Asset Management. While Confluence has more than met its investment objectives since inception, and performance has been strong in the last two years, the business has not attracted the level of support that was anticipated.

The principals have therefore made a commercial decision to wind down the business in an orderly fashion. Campbell Boag has a range of other business interests which he wishes to pursue.

Confluence is working closely with its clients to transition their portfolios. A substantial part of the trading has been completed and the balance will proceed over the next two to three months, dependent on client preferences and market conditions. It is expected that the transitions will be completed before the end of December 2007.

From a Treasury Group financial perspective, while the decision to close the business is regrettable, this business closure will not have a material impact on our results.

Global Value Investors Limited

The year 2006/07 was a landmark year for GVI. Funds under management grew to a level that has resulted in the company being a profitable business. GVI continues to enjoy solid retail inflows on the back on strong investment performance. The success of GVI during the year culminated in the company being awarded the Morningstar Emerging International Fund Manager of the Year award. The investment team has been further bolstered following the recent recruitment of very experienced investment managers.

The expectations for GVI are to increase its profile and appeal as an international fund manager not only to the retail market but to institutional clients.

GVI Team: (L–R from back) David Faulder, Ayush Srivastava, Matthew Saddington, William Tomac, Matthew Hegarty, Tim Hyett, Daniel Fitzgerald, Roy Chen and Melinda White





TAAM team: (clockwise from top left) Peter Sartori, Eng Teck Tan, Sheldon Rivers, Ushanthi Jayasinghe and Michael Timso

Not pictured: Kathy Ng and Stephen Lee (Singapore office)

Treasury Asia Asset Management Limited (TAAM)

TAAM has had very strong growth in funds under management, especially over the last 8 months. TAAM has been able to secure some blue chip institutional clients both locally and abroad. It is the first of our managers to launch a fund out of Dublin. TAAM also recently opened an office in Singapore, staffed by two investment executives. It has been an important year of development for TAAM, which is now positioned to grow further on the back of a solid performance record and a well-resourced investment team.

Managing Director's Report continued

RARE Infrastructure Limited (RARE)

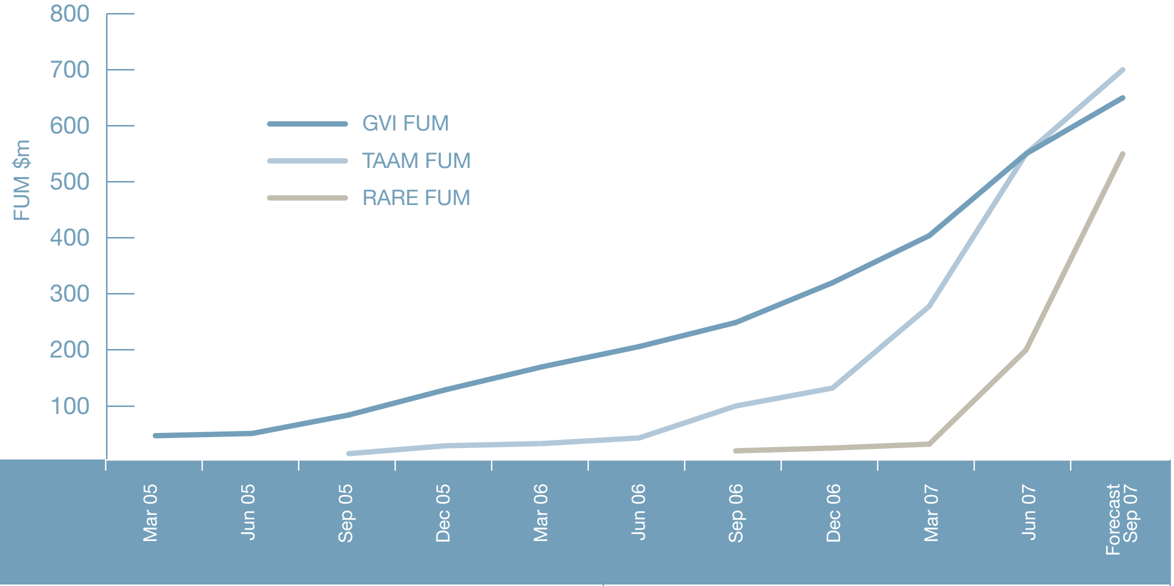
RARE recently celebrated its first full year of operations in what has been for that team a very busy and successful period. RARE is now managing in excess of $500 million and has established itself as one of the favoured infrastructure securities teams in Australia. As a result of the work that the RARE team have done on investment processes and portfolio construction, coupled with a strong compliance platform, RARE has received high ratings from the major asset consultants. RARE is now reviewing opportunities not only domestically but also overseas. The business is staffed by highly experienced infrastructure specialists who undertake extensive research on assets before investing.



RARE Team: (L–R from top row) Rod Chisolm, Nick Langley, David Maywald, Tim Humphries, Richard Elmslie, Sarah Shaw and George Raftopulos




Growth of New Boutiques: Growth in Funds under Management



Orion Asset Management Limited

Orion had another strong year in 2006/07 with funds under management increasing from $4.1bn to $6.0bn. Orion continues to attract strong interest from institutional clients in Australia. Orion also diversified its product and business capability through the establishment of a distribution alliance with Trilogy Global Advisors LLC, a funds management firm based in New York. Trilogy has been able to establish a presence in Australia through its association with Orion. During the year, three new managed investment schemes were created under the Trilogy umbrella. Funds under management through the Trilogy alliance exceeded $600 million as at 30 June 2007, a significant take up after only 7 months.

In 2007, particular highlights for Orion included:

- Continued strong investment performance for the third year in a row;
- A 46.0% increase in funds under management to $6.0bn; and
- Formation of the alliance with Trilogy.

Orion team: (from left) Dominic Fallins, Lisa Chapman, Tristan Patience, Yasmin Drougas, Tim Ryan, Duschko Bajic, Rebecca Waller, John Hartman and John Lobb

Managing Director's Report continued

Treasury Group Investment Services Limited (TIS)

TIS is a wholly-owned subsidiary of Treasury Group. TIS provides the back office services for all our asset management businesses and acts as responsible entity for all managed investment schemes (except those managed by IML). TIS's full services include:

- Risk management and compliance
- Human resource management
- Operations management
- Accounting and finance
- Marketing and distribution
- Group buying power

TIS has had a busy year servicing the high-growth new managers, GVI, TAAM and RARE, while maintaining support and services for existing fund managers Investors Mutual and Orion. The group places a high emphasis on risk management and compliance, which is essential in such a highly regulated and complex environment. Our robust compliance framework not only provides safeguards for our investors and managers but is crucial in meeting the standards that are required of our managers by prospective institutional investors when they undertake manager selection.

TG Investment Funds plc

During the year, Treasury Group created a company, TG Investments Funds plc, that is domiciled in Ireland. This company was created to facilitate the launch of Irish-based funds for Treasury Group managers. The first fund that was launched is managed by TAAM. Recently a fund for RARE was also launched.

These funds provide our managers the ability to have investment products that comply with jurisdictional requirements in countries within the European Union (EU) and therefore assist in achieving a greater geographical reach for the managers as well as diversity in their client base.

INDUSTRY DRIVERS

Recent legislative changes have resulted in superannuation becoming an increasingly attractive form of investment as well as raising the general awareness of the need for retirement planning. The superannuation industry saw significant inflows, especially leading up to 30 June 2007. Fund managers in Australia are now managing in excess of $1 trillion on behalf of investors. The funds management and superannuation industry continues to be buoyed by economic growth, solid returns from various asset classes and an increasing level of sophistication in Australian investors. The Treasury Group business provides its shareholders with exposure to one of the fastest growing and most developed industries in Australia.

The Boutique Movement

Boutique funds management has matured into a strong and attractive source of professional asset management skills. The continued and rising demand for quality boutique manager products is a strong supporting trend for the Treasury Group business model. The market is becoming increasingly aware of the value and benefit of a boutique asset management culture and this is evident from the movement of investment professionals into boutique firms and the attempted replication of such culture in larger investment houses.

Sydney team: (from left) Anne-Maree Bell, Carolyn Kiffin, Elizabeth Calnan, Sheila Kushe, Kris Vogelsong, Donna Madden, Elizabeth Kearns and Yuan Au.

Managing Director's Report continued

DISTRIBUTION

The group has continued to expand the client network both locally and globally. Recent manager additions such as RARE Infrastructure and Treasury Asia Asset Management have increased their assets under management, surpassing their break even levels. Global Value Investors continues to build its retail client base and the product offering is also achieving a greater awareness amongst institutional investors. The managers are also forming strategic distribution alliances to tap into specific geographic markets.

Over the last twelve months we have also marketed to offshore institutional clients with the view to diversifying the geographical client spread. We are pleased to report success in this area with five major international clients. These are important early steps in our plans to expand the client network.

CONCLUSION

In 2006/2007 we have concentrated on maintaining a strong focus on boutique asset management and enhancing the added value Treasury Group brings to each business. This has resulted in business growth and indicates an exciting future. We believe that 2007/08 will deliver increasing growth through existing businesses as well as through new initiatives that are being considered.

I congratulate the boutiques on their continued success and pass my gratitude to the hard working support staff in Treasury Group and the boutiques on handling the growth and performance of these businesses in a highly professional and ethical manner.

D Cooper
Managing Director

Melbourne team: (from left) Dirk Legenhausen, Sherly Zulkarnaen, Su-Ann Tang and Susanna Tju

Management

(L–R from top) Christine Feldmanis, Erin Jurgeleit, Rob Sullivan, Justine Williamson, and Joseph Ferragina

Joseph Ferragina

Joseph Ferragina is our Chief Financial Officer and leads the team responsible for accounting, finance and tax across the group. Joseph also sits on the boards of RARE Infrastructure, Orion Asset Management and TG Investments Funds plc.

Christine Feldmanis

Christine Feldmanis is the Managing Director for Treasury Group Investment Services Limited (TIS) and director of TG Investment Funds plc. TIS is responsible for all back office support functions of the managers including risk and compliance.

Justine Williamson

Justine Williamson is the Human Resources Manager across the group. Justine is involved across all aspects of recruitment, payroll and compensation benchmarking.

Erin Jurgeleit

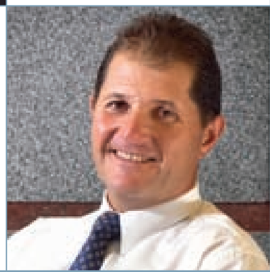
Erin Jurgeleit is the General Manager, Risk and New Developments. Erin acts as the general counsel and manages new developments for the group.

Rob Sullivan

Rob Sullivan, Head of Distribution, has extensive experience in local and international investment institutions and is assisting the development and marketing of Treasury Group boutiques.

Directors' Report



(L–R from top) Mike Fitzpatrick, David Cooper, Peter Kennedy, Rodney Green, Leah Watson, Reubert Hayes.

Your Directors submit their report for the year ended 30 June 2007.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Fitzpatrick,
(Chairman) B. Eng, BA (Oxon) Honours

Mr Fitzpatrick joined the Board on 5 October 2004. He was the founder and Managing Director of Hastings Funds Management Limited. Prior to establishing Hastings in 1994, he was a Director of Credit Suisse First Boston. He is also a Director of Rio Tinto Ltd, Rio Tinto plc, Chairman of Victorian Funds Management Corporation, Chairman of the Australian Football League and former Chairman of the Australian Sports Commission. Mr Fitzpatrick is also a member of the Audit Committee, Remuneration Committee and Nominations Committee.

During the past three years Mr Fitzpatrick has also served as a Director of:

- Hastings High Yield Fund (current),
- Hastings Diversified Utilities Fund (current),
- Pacific Hydro Limited, and
- Australian Infrastructure Fund Ltd.

David Cooper,
(Managing Director) B. Ec./Fin.

Mr Cooper joined the Board on 8 August 2005, having been the Chief Executive Officer (CEO) of the company since July 2004. Mr Cooper joined Treasury Group Limited in July 2002 as Strategic Investments Manager. Prior to joining the Company, he was the Head of the Institutional Division at Perpetual Investments Ltd.

Rodney Green,
(Non-Executive Director) CA, ASIA

Mr Green joined the Board on 14 November 2001 and has over 30 years experience in the financial services industry. Prior to joining Treasury Group Limited Mr Green was the Chief Investment Officer and then Chief Executive Officer of Perpetual Investments Ltd with total funds under management then of $15 billion. Mr Green is also a member of the Remuneration Committee.

Mr Green was also a director of Premium Investors Limited (a listed investment company) until his resignation on 24 April 2006.

Peter Kennedy,
(Non-Executive Director) B.Ec. L.L.M.

Mr Kennedy joined the Board on 4 June 2003 and is a senior partner with Madgwick lawyers and has over 30 years experience in commercial law. He is the Chairman of the Audit Committee and also sits on the Remuneration Committee.

During the past three years Mr Kennedy has also served as a Chairman of the following company:

- Australian Value Funds Management Limited (now called Prime Financial Group Ltd)

Reubert Hayes,
(Non-Executive Director) SF Fin, FAICD

Mr Hayes jointed the Board on 22 February 2007 having over 41 years of experience in investment management and stockbroking research. He was also a founder and CEO of Ausbil Dexia Limited a specialist wholesale boutique asset management operation. Mr Hayes was also a joint founder of Barclays Bank investment operations in Australia in 1984, and was CEO of that business for 12 years until 1996.

Donald Sharp
(Non-Executive Director), B. Bus (Accounting), CPA, CFP, ICD
(resigned 16 May 2007)

Company Secretary

Leah Watson
B.Bus (Acc/Info Systems), Grad Dip (App Corp Gov), CA, ACIS

Mrs Watson is a Chartered Accountant, and commenced with Treasury Group Limited in November 2003. Mrs Watson has ten years commercial and professional experience, and prior to joining Treasury Group, worked with the Middle Market Advisory Services of KPMG, and Corporate Services at Hall Chadwick Chartered Accountants & Business Advisors. Mrs Watson is also a member of Chartered Secretaries Australia.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Treasury Group Limited were:

	Ordinary Shares	Options over Ordinary Shares
D. Cooper	633,000	400,000
M. Fitzpatrick	2,651,500	—
R. Green	1,465,000	—
R. Hayes	—	—
P. Kennedy	60,000	—

Earnings per share

	Cents
Basic earnings per share	80.79
Diluted earnings per share	79.44

Dividends

	Cents	$
Final dividend recommended:		
• on ordinary shares (fully franked)	35.0	7,903,907
Dividend paid in the year:		
Interim for the year		
• on ordinary shares (fully franked)	25.0	5,645,648
Final for 2006 shown as recommended in the 2006 report		
• on ordinary shares (fully franked)	32.0	7,077,309

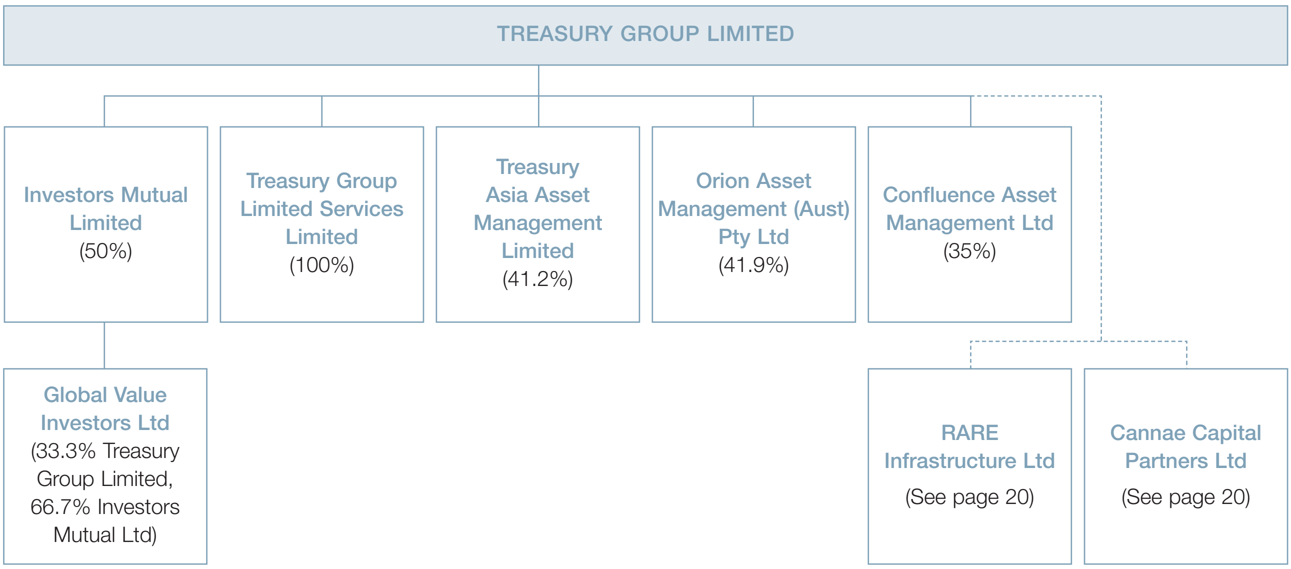
Corporate Information

Corporate structure

Treasury Group Limited (Group) is a company limited by shares that is incorporated and domiciled in Australia. Treasury Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The Group's corporate structure as at the date of this report is as follows:

(i) Orion Asset Management (Aust) Pty Ltd ("Orion") is not a controlled entity, and is treated as an associate accordingly. Its financial result is included on an equity accounting basis during the financial year.

(ii) Global Value Investors Ltd ("GVI") is effectively owned 66.67%, which will be diluted to an effective 50% after shares have been allocated to key staff members of the business. GVI is therefore a controlled entity. Its financial results are included within the consolidated figures.



Director's Report continued

(iii) Treasury Asia Asset Management Ltd ("TAAM") is a controlled entity that commenced operations on 12 July 2005. TAAM is effectively owned 41.2%, which will be diluted to an effective 40% after shares have been allocated to key staff members of the business post 30 June 2007.

Nature of operations and principal activities

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

Provision of funds management services to:

- Institutions;
- Master funds and wraps;
- Retail investors; and
- Private clients.

There have been no significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 62 full time equivalent employees as at 30 June 2007 (2006: 59 employees excluding Non-Executive Directors). The consolidated group includes Treasury Group Limited, Treasury Group Investment Services Limited, Investors Mutual Limited, Treasury Asia Asset Management Limited and Global Value Investors Limited.

Operations and Financial Review

Group Overview

Funds Management

Investors Mutual Limited provides a funds management capability to both institutional and retail investors. The consolidated entity holds 50% of the issued capital of the Company.

Orion Asset Management Ltd, a wholly-owned controlled entity of Orion Asset Management (Aust) Pty Ltd, provides funds management services to a range of institutions.

Confluence Asset Management Ltd is a specialist fund manager investing in companies with smaller capitalisations. Treasury Group Limited holds 35% of the issued capital of Confluence Asset Management Ltd.

Global Value Investors Ltd commenced operation as a fund manager from February 2005. Global Value Investors Ltd invests in global industrial companies that exhibit recurring earnings, and a strong, stable and competitive business. Treasury Group Limited holds 33.3% of the issued share capital with the remainder being held by Investors Mutual Limited.

Treasury Asia Asset Management Ltd commenced operation as a fund manager on 12 July 2005. Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific Region.

Treasury Group Limited owns convertible notes that entitle it to convert the notes into a 40% holding of RARE Infrastructure Ltd (RARE). RARE is a boutique asset manager specialising in listed global infrastructure assets which was launched in July 2006. As Treasury Group Limited has not converted the notes at this stage the results of the company are not included in the consolidated financial statements.

Treasury Group Limited owns a convertible note that entitles it to convert the notes into a 35% holding in Cannae Capital Partners Ltd (Cannae) and an option which entitles Treasury Group Limited to purchase a further 5%. Cannae was launched in July 2007 and is a boutique asset manager specialising in Australian and New Zealand Equity.

Funds Management, Administration & Compliance Services

Treasury Group Investment Services Ltd, a wholly-owned controlled entity of Treasury Group Limited, is the manager of a listed investment company, Premium Investors Limited. This entity was listed on the Australian Stock Exchange on the 27 November 2003.

Operating Results for the Year

The consolidated net profit attributable to members of Treasury Group Limited amounted to $18,003,774 (2006: $14,399,337).

Earnings Per Share

The Group is pleased to report that the many initiatives put in place by the Board and management are reflected in the significant growth in earnings experienced over the past twelve months.

	2007	2006	2005	2004	2003
Basic earnings per share (cents)	80.8	65.4	60.4	37.2	8.0
Diluted earnings per share (cents)	79.4	63.7	58.1	31.8	6.0

Review of Financial Conditions

Capital Structure

The Group has a sound capital structure. This is evident from the Company's cash flow position and that no borrowing facility is required to fund the growth activities of the Group.

In addition, new capital by way of the exercise of options on ordinary shares provided an additional $3,401,866 in new capital to the Company.

The Group has established a treasury function which is managed by the finance team and operates within the policies set by the Board. Cash surpluses held by the Group are invested in high yielding commercial bills arranged with the Group's bankers. Details pertaining to these investments are included in Note 30.

Cash Flow from Operations

Net cash flow from operating activities increased by $3.8m to $27.3m or by 16.0% over the year. This positive result was largely due to the increase in receipts derived from the growth in funds under management by the Group.

The exercise of options resulted in shareholder funds increasing by $3.4m. During the year, Treasury Group Ltd paid $12.7m in dividends. Consolidated cash as at 30 June 2007 stood at $24.6m.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead all Board members are involved in the risk management process.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non-financial nature; and
- The establishment of an investment review panel with the express purpose of examining new asset management opportunities for the Group.

Significant Change in the State of Affairs

There have been no significant changes in the state of affairs of the Company during the financial year.

Significant Events After the Balance Date

- On 13 July 2007 Treasury Group Limited issued 150,000 options to a key employee. The options vest on 1 July 2010 and have an exercise price of $20.
- On 13 July 2007 Treasury Group Limited announced a proposal to issue the Managing Director, David Cooper, 500,000 options with an exercise price of $20. This will require the approval of shareholders at the Annual General Meeting.
- On 16 July 2007 Treasury Group Limited provided a convertible loan, converting into 35% of Cannae Capital Partners Ltd's ordinary share capital. Treasury Group Limited also has an option entitling it to purchase an additional 5% of the share capital at a multiple of NPAT in five years time. Cannae Capital Partners Ltd is a boutique asset manager specialising in Australian and New Zealand equities which was launched in July 2007.
- On 27 July 2007 the Board of Directors of Confluence Asset Management Limited passed a resolution to close the company's activities. The expected loss on the investment is $130,000.
- On 28 August 2007, the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2007 financial year. The total amount of the dividend is $7,903,907, which represents a fully franked dividend of 35 cents per share. The dividend has not been provided for in the 30 June 2007 financial statements.

Likely Developments and Expected Results

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 operations other than matters referred in the Chairman's address would prejudice the consolidated entity's interests. Accordingly no further information is included in this report.

Share Options

Unissued shares

As at the date of this report, there were 1,954,001 unissued ordinary shares under options (1,994,001 at reporting date). Further details of the options outstanding to employees are included in Note 23 to the financial report.

Shares issued as a result of the exercise of options

During the financial year, employees and Directors have exercised their options to acquire 400,000 fully paid ordinary shares of Treasury Group Limited at a weighted average exercise price of $7.50. Since the end of the financial year, 190,000 further options have been exercised.

Indemnification and Insurance of Directors and Officers

The Group has entered into an agreement for the purpose of indemnifying Directors and officers of the Company against all losses and liabilities incurred by the Directors or officers 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 2001*;

(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.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the company against a liability which may be incurred in that person's capacity as an officer of the Company.

Directors' and other Officers' Emoluments

Remuneration Report

This report outlines the remuneration arrangements for Directors and Executives of Treasury Group Limited.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Make a significant portion of Executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.

Director's Report continued

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and the Executive Team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

In accordance with the ASX Listing Rules the aggregate remuneration of Non-Executive Directors is determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 15 November 2006 when shareholders approved an aggregate remuneration of $650,000 per year for services of Directors as directors of the Company and its subsidiaries.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. Non-Executive Directors do not receive performance based bonuses from Treasury Group Limited.

Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company, business unit and individual performance targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - — Short Term Incentive (STI); and
  - — Long Term Incentive (LTI)

The proportion of fixed remuneration and variable remuneration is established by the Remuneration Committee.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of performance, relevant comparative remuneration in the market and advice on policies and practices.

Variable Remuneration — Short Term Incentive (STI)

Objective

The objective of the STI plan is to link the achievement of the Company's operational targets with the remuneration received by the Executives charged with meeting those targets. The STI is fully discretionary in the hands of the Remuneration Committee. The Remuneration Committee receives a recommendation from the Managing Director on executive performance. The Managing Director bases his report on a number of tailored KPIs for each Executive. The total potential STI available is set at a level so as to provide sufficient incentive to the Executive to achieve the operational targets such that the cost to the Company is reasonable.

Structure

Actual STI payments granted to each Executive depend on the achievement of annual corporate profitability measures and each Executive exceeding expectations on their KPIs. Secondary consideration is given to their general value add to the business.

The aggregate of annual STI payments available for Executives across the Company is subject to the approval of the Remuneration Committee. Payments are usually delivered as a cash bonus.

Variable Remuneration — Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

LTI grants are delivered in the form of options.

The Company uses the share price as the performance hurdle for the long term incentive plan to ensure alignment between shareholder return and reward for Executives.

Details of the nature and amount of each element of the emolument of each Director of the Company and each of the Key Management Personnel of the Company and the consolidated entity for the financial year are as follows:

Emoluments* of Directors of Treasury Group Limited

	Annual Emoluments		Long Term Emoluments		
	Salary and fees	Bonus	Super-annuation	Share based payments	Total
Directors	$	$	$	$	$
M. Fitzpatrick Chairman	97,248	—	8,752	—	106,000
D. Cooper Managing Director	389,908	212,500	35,092	193,945	831,445
P. Kennedy Non-Executive Director	83,500	—	—	—	83,500
R. Green Non-Executive Director	60,550	—	5,450	—	66,000
R. Hayes Non-Executive Director	22,361	—	2,013	—	24,374
D. Sharp Non-Executive Director (resigned 16 May 2007)	139,518	—	—	—	139,518

Emoluments* of the Key Management Personnel of the Company and the Consolidated Entity

	Annual Emoluments			Long term Emoluments (in accordance with LTI)			
	Base Fee	Bonus	Other	Granted @	Amortised Cost	Super-annuation	Total
Executives — Name and Position	$	$	$	Number	$	$	$
J. Ferragina Treasury Group Ltd C.F.O	217,314	80,500	—	150,000	93,911	12,686	404,111
T. Hyett Investors Mutual Ltd C.E.O.	277,091	295,976	—	—	—	41,886	614,953
C. Byrne Investors Mutual Ltd C.O.O.	232,314	192,755	—	—	—	12,686	437,755
E. Jurgeleit Treasury Group Ltd Group Manager — Risk and New Developments	203,327	64,804	—	90,000	56,167	12,686	336,984
C. Feldmanis Treasury Group Investment Services Ltd Managing Director	227,314	84,000	—	90,000	56,167	12,686	380,167

Notes

* The elements of emoluments have been determined on the basis of the cost to the Company and the Consolidated Entity, except for options issued.

@ Options granted as part of remuneration have been valued using a Binomial option pricing model, which takes account of factors such as the option exercise price, volatility of the underlying share price and the time to maturity of the option.

The Company uses the fair value measurement provisions of AASB 124 "Related Party Disclosures" and the AASB 2 "Share-based Payment" prospectively for all options granted to Directors and relevant Executives which have not vested as at 1 July 2004. The fair value of such grants is being amortised and disclosed as part of Director and Executive emoluments on a straight-line basis over the vesting period.

From 1 July 2003, options granted as part of Director and Executive emoluments have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. Further details in relation to the issuance and value of options are contained in Note 23 to the financial report.

Employment Contracts

The Managing Director, Mr Cooper, is employed under contract. The current employment contract commenced on 15 July 2006 and terminated on 14 July 2007. The Company has entered into a new employment contract with Mr Cooper. The current contract commenced on 15 July 2007 and has no predetermined termination date. Under the terms of the present contract, a base salary of $500,000 (gross) will be paid effective from 1 July 2007.

As long term incentive, Mr Cooper will be awarded 500,000 $20 options on terms to be approved at the AGM.

Mr Cooper is also eligible for a bonus based on a number of clearly defined KPI's. Any bonus payment is at the sole discretion of the Remuneration Committee.

Additional terms in the contract include:

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Cooper is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.
- The Company may terminate the contract without notice if Mr Cooper becomes incapacitated by accident or an illness such that he is unable to perform his duties for 90 consecutive days or for an aggregate period of 90 days in any period of 12 months.

Where employment is terminated no further payments will be paid by the company except unpaid salary accrued to the date of termination and accrued annual leave.

Where the employment is terminated due to a decision by the Company to make the position redundant, the Company will pay Mr Cooper an amount the equivalent to 1 year's salary in addition to any payment to which Mr Cooper is entitled in relation to a notice period.

The Chief Financial Officer, Mr Ferragina, is employed under contract. The current employment contract commenced on 4 October 2005 and has no predetermined termination date. Under the terms of the contract Mr Ferragina may terminate the contract by giving three months written notice.

The Managing Director of Treasury Group Investment Services Ltd, Ms Feldmanis is employed under contract. Ms Feldmanis' current contract commenced on 17 October, 2005 and has no predetermined termination date. Under the terms of the contract Ms Feldmanis may terminate the contract by giving three months written notice.

The General Manager of Risk and New Developments, Ms Jurgeleit is employed under contract and has no predetermined termination date. Under the terms of the contract Ms Jurgeleit may terminate the contract by giving one month written notice.

The Head of Distribution, Rob Sullivan, is employed under contract. The current employment commenced on 1 May 2006 and has no predetermined termination date. Under the terms of the contract Mr Sullivan may terminate the contract by giving one month written notice.

Mr Tagliaferro's current contract has no predetermined termination date. Under the terms of the contract Mr Tagliaferro and the company concerned may terminate the contract by giving a nine month notice period.

Directors' Meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended
D. Cooper	13	12	—	—	—	—	—	—
M. Fitzpatrick	13	13	4	3	2	2	2	2
R. Green	13	10	—	—	2	1	—	—
P. Kennedy	13	13	4	4	2	2	—	—
R. Hayes	4	4	1	1	—	—	—	—
D. Sharp	12	11	3	3	—	—	2	2

Committee membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Nomination Committee of the Board of Directors.

Members acting on the Committees of the Board during the year were:

Audit	Remuneration	Nomination
P. Kennedy (c)	P. Kennedy (c)	R Hayes (c) (appointed 26 June 2007)
M. Fitzpatrick	R. Green	M. Fitzpatrick
R. Hayes (appointed 6 March 2007)	M. Fitzpatrick	D. Sharp (resigned 16 May 2007)
D. Sharp (resigned 16 May 2007)		

Notes
(c) Designates the Chairman of the Committee.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Treasury Group Limited support the Principles of Corporate Governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

Environmental Regulation and Performance

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

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received $59,077 in respect of tax compliance services during the year.

Auditor Independence and Non-Audit Services

The Directors received the independence declaration from the auditors of Treasury Group Limited. A copy of the declaration is set out on page 26.

Signed in accordance with a resolution of the Directors.

M Fitzpatrick
Chairman

Melbourne, 28 August 2007

Auditor's Independence
Declaration to the Directors of Treasury Group Limited

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Auditor's Independence Declaration to the Directors of Treasury Group Limited

In relation to our audit of the financial report of Treasury Group Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Sean Balding
Partner
28 August 2007

Corporate Governance Statement

The Company is committed to maintaining the highest standards of Corporate Governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles"). The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

As at 30 June 2007, the position of Treasury Group Ltd is as follows:

Principle 1: Lay solid foundations for management and oversight

The Board's role is to govern the Company rather than to manage it. The Board recognises the importance of clearly delineating between its role and the roles of management, and has adopted a formal statement of matters reserved to itself and a list of delegations to management. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board is accountable to shareholders for the successful operations of the Company.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained in the Corporate Governance section on the Company's website.

Principle 2: Structure the Board to add value

The Board considers independent decision-making as critical to effective governance, and the Company recognises the importance of independent directors and the external perspective and advice that they can offer. The names of the Directors and their qualifications and experience are included in the profiles in the Directors' Report, along with the term of office held by each of the Directors.

The Company does not have a majority of independent Directors as recommended by the ASX Principles but rather a balance of executive and non-executive. The Board size is considered appropriate for the size of the Company's operations.

Mr Kennedy and Mr Hayes are Non-Executive Directors, and also meet the ASX Principles criteria for independence adopted by the Company.

Mr Fitzpatrick is a Non-Executive Director & Chairman of the Company, but is also a major shareholder of the Company and as such he does not meet the Company's criteria for independence, however, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

The Company's Chairman and Managing Director have separate roles. The division of responsibilities between the Chairman and the Managing Director are set out in the Board charter.

Mr Green is a Non-Executive Director of the Company, and is also a major shareholder. However, as one of the founders of the Company, his experience and knowledge of the Company makes his contribution to the Board invaluable and as such it is appropriate for him to be part of the Board.

In response to the ASX Principles, the Board established a Nominations Committee on the 4th May 2004, to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

Whilst the ASX Principles suggest a minimum of three members, the Company believes that the present committee structure is adequate to perform its duties. The members of the Nomination Committee are Mr Hayes (Chairman) and Mr Fitzpatrick. The Nomination Committee held two meetings throughout the year and details of attendance of the members of the Committee are contained in the Directors' Report.

The Nomination Committee's charter and a description for the selection and appointment of new Directors are available on the Company's website.

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

Principle 3: Promote ethical and responsible decision-making

To assist the Board carrying out its functions, it has developed a Directors' Code of Conduct to guide the Directors, the Managing Director, the Chief Financial Officer and other key executives with respect to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Directors' Code of Conduct can be viewed in the Corporate Governance section on the Company's website.

The Company has a Securities Trading Policy under which Directors and employees and their associates may only trade in the Company's securities during specific period trading windows. This policy can be viewed in the Corporate Governance section of the Company's website.

Principle 4: Safeguard integrity in financial reporting

In accordance with the Board's policy, the Managing Director and the Chief Financial Officer have provided to the Board a statement that the Company's financial reports present a true and fair view, in all material aspects, of the company's financial condition and operational results are in accordance with relevant accounting standards, prior to the Board signing this Annual Report.

The Board established an Audit Committee on 4 May 2004. The Audit Committee has adopted a formal charter, which can be found in the Corporate Governance section of the Company's website.

During the year the Audit Committee consisted of three members and is in accordance with the minimum suggested by the ASX Principles. Members are appointed by the Board from amongst the Non-Executive Directors, which must also be independent. The members of the Audit Committee during the year were Mr Kennedy, Mr Fitzpatrick and Mr Sharp (resigned 17 May 2007) and Mr R Hayes (appointed 6 March 2007). Whilst Mr Fitzpatrick is not independent, the Company believes that the committee structure was adequate to perform its duties independently. All members can read and understand financial statements and are otherwise financially literate and Mr Kennedy the Chairman, has a commerce background with experience in financial and accounting matters. Details of members qualifications may be found in the director profiles in the Directors' Report.

Corporate Governance Statement continued

The Audit Committee held four meetings for the year and details of attendance of the members of the Audit Committee are contained in the Directors' Report.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners may be found in the Corporate Governance section of the Company's website.

Principle 5: Make timely and balanced disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1 concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

2 that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public. A copy of the Continuous Disclosure Policy is located in the Corporate Governance section of the Company's website.

Principle 6: Respect the rights of shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number for shareholders to make enquiries of the Company.

The communications strategy is published on the Company's website in its corporate governance section.

Principle 7: Recognise and manage risk

The Board's Charter clearly establishes that it is responsible for ensuring that there is a sound system for overseeing and managing risk. The Audit Committee is also responsible for establishing policies on risk oversight and management.

On 28 August 2007 the Managing Director and the Chief Financial Officer provided the Board a written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement also assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

Principle 8: Encourage enhanced performance

The Board Charter provides for the undertaking of annual Board and Committee performance evaluation. The Board's performance is measured against both qualitative and quantitative indicators. The objective of this evaluation is to provide best practice Corporate Governance to the Company.

The Nomination Committee oversees management succession plans including the Managing Director and his direct reports and evaluates the Board, Committee and Executive's performance and makes recommendations for the appointment and removal of Directors.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

In order to provide a specific opportunity for performance matters to be discussed with each Director, each year the Board Chairman conducts a formal Director review process. Self and peer evaluations are completed and the Chairman meets with each Director individually to discuss issues including performance and discusses with the Board as a whole the effectiveness of the Board and its Committees. The last evaluation was carried out in November 2006. Given the nature of the Company's activities, the Board believes that there is sufficient formality in the process of evaluation of the Board, individual Directors and the Chairman.

New Directors undergo an induction process in which they are given a full briefing on the Company. This includes meetings with key executives, tours of the premises, an induction package and presentations.

Principle 9: Remunerate fairly and responsibly

The Board has established a Remuneration Committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements.

The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

Mr Kennedy, Mr Fitzpatrick and Mr Green are the current members of the Remuneration Committee. Mr Kennedy, the Chairman of the Remuneration Committee is an Independent Director.

The Remuneration Committee held two meetings throughout the year and details of attendance of the members of the Committee are contained in the Directors' Report.

The Board have endorsed the following Senior Executive Remuneration Policy and the Non-Executive Director Remuneration Policy.

Senior Executive Remuneration Policy

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Officer and Employee Option Plan and Share Purchase Plan;
- statutory superannuation.

By remunerating Senior Executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of Senior Executives with those of shareholders and increase Company performance. The amount of remuneration, including both monetary and non-monetary components, for each of the Key Management Personnel during the year (discounting accumulated entitlements) is detailed in the Directors' Report.

The value of shares and options granted to Senior Executives has been calculated using the Binomial method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments. This discretion is exercised on the following basis:

- Retentions and motivation of key executives;
- Attraction of quality management to the Company;
- Performance incentives which allow executives to share the rewards of the success of Treasury Group Limited.

The Company has a Share Purchase Plan and an Officer and Employee Option Plan that have been approved by shareholders in which Executives may participate. The number of shares and options issued under the plans is reasonable in relation to the existing capitalisation of the Company and all payments under the plans are made in accordance with thresholds set in plans approved by shareholders.

Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in the option scheme of the Company. Non-Executive Directors are entitled to statutory superannuation.

The payment to Directors is based on a workload criterion. Consequently, all non-executive Directors except the Chairman receive a fixed amount plus a load for Committee Membership and Committee chairing. The Chairman received an extra loading given the duties and extra time associated with that position.

Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors is approved by shareholders and is currently $650,000. The remuneration received by all of the Company's Non Executive Directors is detailed in the Directors Report and totals $387,186 (including superannuation) paid directly by Treasury Group Limited.

Further information in relation to the remuneration of Directors can be found in the Directors' Report.

Principle 10:
Recognise the legitimate interests of stakeholders

The Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. A copy of this Code of Conduct is located on the Company's website in the corporate governance section.

Income Statement
For the Year Ended 30 June 2007

		CONSOLIDATED		TREASURY GROUP LIMITED	
	Notes	2007 $	2006 $	2007 $	2006 $
CONTINUING OPERATIONS					
REVENUES	5 (a)	58,248,506	51,613,671	18,613,186	11,579,002
Other income	5 (b)	1,719,504	16,350	1,152,199	9,441
Salaries and employee benefits expenses	5 (c)	(13,705,973)	(11,561,768)	(2,422,521)	(2,414,512)
Fund management and administration fees		(3,952,982)	(3,431,223)	—	—
Other expenses	5 (c)	(6,948,589)	(5,955,806)	(1,496,540)	(1,273,573)
Share of net profits of associates	14 (a) (iii)	4,645,846	4,174,762	—	—
PROFIT BEFORE INCOME TAX EXPENSE		40,006,312	34,855,986	15,846,324	7,900,358
Income tax (expense) / income	7 (c)	(10,850,716)	(9,239,536)	311,392	546,335
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		29,155,596	25,616,450	16,157,716	8,446,693
DISCONTINUED OPERATIONS					
Profit after tax from discontinued operations	6	—	534,788	—	—
Profit after tax on disposal of discontinued operations	6	1,250,418	—	1,780,927	—
TOTAL PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS		1,250,418	534,788	1,780,927	—
NET PROFIT FOR THE YEAR		30,406,014	26,151,238	17,938,643	8,446,693
Attributable to:					
Minority interest		12,402,240	11,751,901	—	—
Members of the parent	21 (d)	18,003,774	14,399,337	17,938,643	8,446,693
Earnings per share (cents per share)					
• basic for profit for the year attributable to ordinary equity holders of the parent	25	80.79	65.39		
• basic for profit from continuing operations attributable to ordinary equity holders of the parent	25	75.18	64.17		
• diluted for profit for the year attributable to ordinary equity holders of the parent	25	79.44	63.66		
• diluted for profit from continuing operations for the year attributable to ordinary equity holders of the parent	25	73.92	62.48		
Franked dividends paid per share (cents per share)	8	57.00	45.00		

Balance Sheet
As at 30 June 2007

	Notes	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
CURRENT ASSETS					
Cash and cash equivalents	9 (a)	24,622,018	19,437,188	11,036,366	9,287,866
Trade and other receivables	10	17,441,812	14,559,245	5,287,345	2,594,209
Available-for-sale investments	11	11,245,755	8,938,324	—	—
Other assets		324,354	322,648	57,041	175,073
Assets classified as held for sale	6	—	2,152,419	—	299,591
TOTAL CURRENT ASSETS		53,633,939	45,409,824	16,380,752	12,356,739
NON-CURRENT ASSETS					
Trade and other receivables	10	1,000,000	—	1,000,000	—
Available-for-sale investments	11	1,000,424	500,284	453,125	351,535
Investments at fair value through profit and loss	12	1,200,000	50,000	1,200,000	50,000
Loans and receivables	13	2,693,135	—	5,505,640	1,750,227
Deferred tax assets	7 (d)	2,327,453	2,048,238	400,249	776,279
Investments in associates	14	8,686,531	7,868,862	—	—
Plant and equipment	15	532,044	858,948	99,586	219,016
Intangibles	16	4,722	—	4,213	—
Goodwill	17	2,271,268	2,271,268	—	—
Other financial assets	18	—	—	15,422,813	15,422,813
TOTAL NON-CURRENT ASSETS		19,715,577	13,597,600	24,085,626	18,569,870
TOTAL ASSETS		73,349,516	59,007,424	40,466,378	30,926,609
CURRENT LIABILITIES					
Trade and other payables	19	14,233,304	8,090,348	782,873	641,208
Income tax payable		3,563,176	3,178,033	—	—
Liabilities directly associated with assets classified as held for sale	6	—	561,861	—	—
TOTAL CURRENT LIABILITIES		17,796,480	11,830,242	782,873	641,208
NON-CURRENT LIABILITIES					
Other payables		—	44,582	—	44,582
Provisions	20	214,400	—	—	—
Deferred tax liabilities	7 (d)	885,036	361,290	345,000	—
TOTAL NON-CURRENT LIABILITIES		1,099,436	405,872	345,000	44,582
TOTAL LIABILITIES		18,895,916	12,236,114	1,127,873	685,790
NET ASSETS		54,453,600	46,771,310	39,338,505	30,240,819
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	21 (a)	26,805,890	23,404,024	26,805,890	23,404,024
Reserves	21 (e)	3,482,993	2,412,370	2,028,508	1,548,374
Retained profits	21 (d)	18,686,710	13,405,893	10,504,107	5,288,421
Parent interests		48,975,593	39,222,287	39,338,505	30,240,819
Minority interests	21 (f)	5,478,007	7,549,023	—	—
TOTAL EQUITY		54,453,600	46,771,310	39,338,505	30,240,819

Statement of Changes in Equity

For the Year Ended 30 June 2007

	CONSOLIDATED					
	Ordinary shares $	Share options $	Net unrealised gains reserve $	Retained earnings $	Minority Interest $	Total $
AT 1 JULY 2006	23,404,024	1,548,374	863,996	13,405,893	7,549,023	46,771,310
Net gains on remeasurement available-for-sale investments	—	—	396,083	—	—	396,083
Total income and expense for the period recognised directly in equity	—	—	396,083	—	—	396,083
Profit for the period	—	—	—	18,003,774	12,402,240	30,406,014
Total income and expense for the period	—	—	396,083	18,003,774	12,402,240	30,802,097
Shares issued	3,401,866	—	—	—	—	3,401,866
Share-based payments	—	674,540	—	—	—	674,540
Disposal of partly owned subsidiary	—	—	—	—	(782,446)	(782,446)
Dividends paid	—		—	(12,722,957)	(13,690,810)	(26,413,767)
AT 30 JUNE 2007	26,805,890	2,222,914	1,260,079	18,686,710	5,478,007	54,453,600
AT 1 JULY 2005	22,012,557	159,021	—	9,226,364	3,296,585	34,694,527
Prior year adjustment	—	—	—	(289,452)	—	(289,452)
RESTATED EQUITY BALANCE AT 1 JULY 2005	22,012,557	159,021	—	8,936,912	3,296,585	34,405,075
Net gains on remeasurement available-for-sale investments	—	—	863,996	—	—	863,996
Total income and expense for the period	—	—	863,996	—	—	863,996
Profit for the period	—	—	—	14,399,337	11,751,901	26,151,238
Total income and expense for the period	—	—	863,996	14,399,337	11,751,901	27,015,234
Shares issued	1,391,467	—	—	—	—	1,391,467
Share-based payments	—	1,389,353	—	—	—	1,389,353
Minority Interest on acquisition of subsidiary	—	—	—	—	450	450
Dividends paid	—	—	—	(9,930,356)	(7,499,913)	(17,430,269)
AT 30 JUNE 2006	23,404,024	1,548,374	863,996	13,405,893	7,549,023	46,771,310

Statement of Changes in Equity continued

	TREASURY GROUP LIMITED			
	Ordinary Shares $	Share options $	Retained earnings $	Total $
AT 1 JULY 2006	23,404,024	1,548,374	5,288,421	30,240,819
Profit for the period	—	—	17,938,643	17,938,643
Total income and expense for the period	—	—	17,938,643	17,938,643
Shares issued	3,401,866	—	—	3,401,866
Share-based payments	—	480,134	—	480,134
Dividends paid	—	—	(12,722,957)	(12,722,957)
AT 30 JUNE 2007	26,805,890	2,028,508	10,504,107	39,338,505
AT 1 JULY 2005	22,012,557	159,021	6,772,084	28,943,662
Profit for the period	—	—	8,446,693	8,446,693
Total income and expense for the period	—	—	8,446,693	8,446,693
Shares issued	1,391,467	—	—	1,391,467
Share-based payments	—	1,389,353	—	1,389,353
Dividends paid	—	—	(9,930,356)	(9,930,356)
AT 30 JUNE 2006	23,404,024	1,548,374	5,288,421	30,240,819

Cash Flow Statement

For the Year Ended 30 June 2007

	Notes	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		57,609,396	56,059,166	78,847	1,218,165
Payments to suppliers and employees (inclusive of GST)		(26,393,777)	(25,425,533)	(3,454,467)	(3,112,313)
Dividends received		5,509,452	3,525,308	15,509,572	13,841,752
Interest received		1,472,178	1,220,020	801,328	848,663
Income tax (paid)/received		(10,880,117)	(11,890,276)	197,417	5,723
NET CASH FLOWS FROM OPERATING ACTIVITIES	9(b)	27,317,132	23,488,685	13,132,697	12,801,990
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of subsidiary, net of cash disposed	6	(26,203)	—	—	—
Purchase of plant and equipment		(85,487)	(371,960)	(34,211)	(21,336)
Purchase of intangible assets		(6,683)	—	(6,018)	—
Proceeds from disposal of plant and equipment		27,743	40,515	24,429	—
Proceeds from disposal of investments		3,014,819	39,106	1,040,898	39,106
Purchase of available-for-sale investments		(3,895,238)	(2,000,000)	—	—
Purchase of other investments		(119,337)	(137,470)	(119,337)	(202,020)
Payment for security deposits		—	(154,750)	—	(154,750)
Repayment of loans made		—	2,043,730	519,420	2,043,730
Advances to controlled entities		—	—	(965,000)	(1,313,707)
Advances to other entities		(2,596,503)	—	(2,596,503)	—
Payment for capital in controlled entity		—	—	—	(4,900,393)
Payment for investment in associated entities		—	(4,200,000)	—	(4,200,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(3,686,889)	(4,740,829)	(2,136,322)	(8,709,370)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of equity		3,401,986	1,391,467	3,475,082	1,567,139
Equity dividends paid		(22,873,602)	(21,930,137)	(12,722,957)	(9,930,356)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(19,471,616)	(20,538,670)	(9,247,875)	(8,363,217)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,158,627	(1,790,814)	1,748,500	(4,270,597)
Cash and cash equivalents at beginning of year		20,463,391	22,254,205	9,287,866	13,558,463
CASH AND CASH EQUIVALENTS AT END OF YEAR	9(a)	24,622,018	20,463,391	11,036,366	9,287,866

Notes to the Financial Statements
For the Year Ended 30 June 2007

1. CORPORATE INFORMATION

The financial report of Treasury Group Limited (the 'Company' or the 'Group') for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on 28 August 2007.

Treasury Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX).

The nature of operations and principal activities of the Group are disclosed in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Table of Contents

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2007.

These are outlined in the table below:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
New Standard	AASB 7: *Financial Instruments: Disclosures*	AASB 7 is a disclosure standard and will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 January 2007	1 July 2007
2005-10	AASB 132: *Financial Instruments Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS*, AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, and AASB 1038: *Life Insurance Contracts*	Refer to AASB 2007 above.	1 January 2007	1 July 2007
2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 March 2007	1 July 2007

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	The Group currently has no service concession arrangements or public-private-partnerships (PPP), so the amendments are not expected to have any impact on the Group's financial report.	1 January 2008	1 July 2008
2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2009	1 July 2009
2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 July 2007	1 July 2007
2007-5	Amendments to Australian Accounting Standard — Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	This amendment only relates to Not-for-Profit Entities and as such is not expected to have any impact on the Group's financial report.	1 July 2007	1 July 2007
2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 January 2009	1 July 2009
2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report	1 July 2007	1 July 2007
New Standard	AASB 8: *Operating Segments*	Refer to AASB 2007-3 above	1 January 2009	1 July 2009
AASB 123 (amended)	Borrowing Costs	Refer to AASB 2007-6 above	1 January 2009	1 July 2009
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report as the Group does not have any impairment losses.	1 November 2006	1 July 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
AASB Interpretation 11	Group and Treasury Share Transactions	Refer to AASB 2007-1 above.	1 March 2007	1 July 2007
AASB Interpretation 12	Service Concession Arrangements	Refer to AASB 2007-2 above.	1 January 2008	1 July 2008
IFRIC Interpretation 13	Customer Loyalty Programmes	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report	1 July 2008	1 July 2008
IFRIC Interpretation 14	*IAS 19 — The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*	The Group does not have a defined benefit pension plan and as such this interpretation is not expected to have an impact on the Group's financial report.	1 January 2008	1 July 2008

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

(c) 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. The following specific recognition criteria must also be met before revenue is recognised:

Service fees

Fees charged for providing administrative services to related companies are recognised as revenue as the services are provided.

Management fees

Fees charged for managing investments are recognised as revenue as the services are provided.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends and distributions

Revenue is recognised when the Group's right to receive the payment is established.

(d) Basis of consolidation

The consolidated financial statements comprise Treasury Group Limited and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests not held by the Group are allocated their share of net profit after tax in the Income Statement and are presented within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

Subsidiaries are carried at cost in the parent company's separate financial statements.

(e) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(f) Trade and other receivables

Trade receivables, which are generally 30 day terms, are recognised and at fair value and subsequently valued at amortised cost using the effective interest method, less any allowance for uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of the financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(h) Impairment of available-for-sale financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the Income Statement, is transferred from equity to the Income Statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through the Income Statement if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement.

(i) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture.

Under the equity method, the investments in the associates are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investments and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Investments in associates are carried at cost in the parent company's separate financial statements.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform with those used by the Group for like transactions and events in similar circumstances.

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Major depreciation methods and periods are:

	2007 & 2006	
Furniture & fittings:	8 – 13 years	diminishing value
Office equipment:	4 – 10 years	diminishing value
Leasehold improvements:	1 – 6 years	Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(k) Goodwill and intangibles

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) Investments and other financial assets

Financial assets in the scope of AASB 139: Financial Instruments: Recognition and Measurement, are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each year-end.

All regular way purchases and sales of financial assets are recognised on the trade date that is, the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

The Group has designated its investment in convertible notes as at fair value through profit and loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loan and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three other categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on that balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length transactions; references to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries or associates, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries or associates, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(n) Other taxes

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

- when 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, which 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Impairment of non-financial assets other than goodwill

Amortising intangible assets and property, plant and equipment are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments, including on-costs, to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating leases

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

(t) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends), if any;
- 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 ordinary shares, adjusted for any bonus element, if any.

(u) Share-based payments

Equity-settled transactions:

The Group provides benefits to employees (including Senior Executives and Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three plans in place to provide these benefits:

(i) The Employee Share Option Plan, which provides benefits to Directors, Senior Executives and employees.

(ii) The Employee Share Plan, which provides the opportunity to the employees (including Directors) of the Group to purchase shares in the parent company at a discount.

(iii) Converting Preference Share Plan issued by a Group company, which provides benefits to senior employees of that company.

The cost of the equity-settled employee share option plan is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Treasury Group Ltd (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition an expense is recognised for any modification that increases the total fair value of the of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(u) Share-based payments (cont.)

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Converting Preference Shares (CPS) issued in conjunction with non recourse loans are accounted for in accordance with AASB 2 Share Based Payments and has been treated as the equivalent of a grant of options. As a result, the amounts receivable from employees in relation to these loans and the share capital issued under the scheme is not recognised. The CPS are non-voting securities that receive a fixed coupon. The CPS convert to non-voting B-Class shares in the subsidiary on 1 January 2009. Participants in that plan can deal with 50% of the shares on this date and may deal with the remaining 50% on or after 1 January 2011. The non-recourse loans have been issued for a term of 10 years. An increase in share capital is only recognised as the employees repay the loans.

(v) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(w) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Speculative trading in derivatives is not undertaken.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 2 to the financial statements.

Credit risk

The Group trades only with recognised, creditworthy third parties. Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not require collateral.

Liquidity risk

The Group's objective is to maintain financial flexibility and only invests surplus funds in cash and short-term deposits.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are recognised for taxable losses and deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Classification of and valuation of investments

The Group has decided to classify investments in unit trusts as 'available-for-sale' investments and movements in fair value are recognised directly in equity. The fair value of the investments has been determined by reference to the published unit price in an active market.

The Group has classified an investment in a convertible note as 'at fair value through profit and loss'. The fair value has been determined based on an independent valuation report prepared by RSM Bird Cameron.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include performance, technological, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 17.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial model or a Black-Scholes model, with the assumptions detailed in Note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the Financial Statements

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2007 $	2006 $	2007 $	2006 $
5. REVENUE AND EXPENSES				
(a) Revenues from continuing operations				
Fee income				
Fund management fees	51,919,489	47,447,543	—	—
Fund performance fees	2,806,955	2,236,582	—	—
Service fees				
— wholly-owned subsidiaries	—	—	69,480	305,538
— partly-owned subsidiaries	—	—	49,115	40,000
— associates	494,548	226,348	—	—
— other related entities	633,498	296,826	—	—
Total fee income	55,854,490	50,207,299	118,595	345,538
Dividends and distributions				
— subsidiaries	—	—	13,500,162	7,500,088
— associates	—	—	3,828,177	2,801,692
Unit trust distribution	647,023	114,646	—	—
Total dividends and distributions	647,023	114,646	17,328,339	10,301,780
Interest				
Related parties				
— wholly-owned subsidiaries	—	—	27,839	41,601
— subsidiaries	—	—	190,320	92,664
— associates	20,896	81,485	20,896	81,485
— other	114,441	—	114,441	—
Other persons/corporations	1,611,656	1,210,241	812,756	715,934
Total interest	1,746,993	1,291,726	1,166,252	931,684
Total revenues	58,248,506	51,613,671	18,613,186	11,579,002
(b) Other income				
Fair value gain on revaluation of convertible note	1,150,000	—	1,150,000	—
Net gain on disposal of available-for-sale investments	564,517	—	—	—
Other	4,987	16,350	2,199	9,441
Total other income	1,719,504	16,350	1,152,199	9,441
(c) Expenses from continuing operations				
Salaries and employee benefits				
Salaries and employee benefits	13,094,568	10,935,515	2,078,748	1,908,736
Share-based payment expense arising from equity-settled share-based payment transactions	611,405	626,253	343,773	505,776
	13,705,973	11,561,768	2,422,521	2,414,512
Depreciation and amortisation				
Software	1,961	—	1,805	—
Furniture & fittings	13,939	13,424	2,522	3,608
Office equipment	185,014	194,139	46,657	69,745
Leasehold improvements	105,390	141,734	964	19,864
Total depreciation of non-current assets	306,304	349,297	51,948	93,217

5. REVENUE AND EXPENSES (CONT.)

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
(c) Expenses from continuing operations (cont.)					
Other expenses					
Accounting & audit fees		288,039	352,605	93,885	98,900
Operating lease rental — minimum lease payments		509,916	355,036	90,466	67,625
Marketing & stationery expenses		1,255,958	1,118,557	46,613	41,323
Travel & accommodation costs		1,029,378	802,414	134,044	94,908
Communication costs		243,070	192,542	43,083	28,242
Payroll tax		705,625	599,184	129,322	128,447
Legal & compliance fees		325,760	301,960	10,178	17,753
Consulting fee		483,448	227,999	207,484	72,562
Insurance charges		352,289	325,009	55,790	65,217
Directors' fees (non-executives)		423,747	315,270	366,396	255,617
IT servicing & consulting charges		230,289	163,142	30,691	29,055
Training expenses		84,682	69,218	13,129	18,991
Share registry expenses		53,302	50,772	53,302	50,771
ASX fees		49,064	41,628	48,651	41,627
Subscriptions		388,949	398,003	26,431	13,666
Loss on disposal of plant and equipment		6,338	41,369	3,042	—
Net loss on disposal of available-for-sale investment		—	61,495	—	61,495
Donations		33,862	22,193	11,000	—
Other expenses		178,569	168,113	81,085	94,157
		6,642,285	5,606,509	1,444,592	1,180,356
Total other expenses		6,948,589	5,955,806	1,496,540	1,273,573
(d) Revenues from discontinued operations					
Fee income					
Fund management fees					
Performance fees		—	314,432		
Management fees		—	1,318,093		
Total fee income		—	1,632,525		
Interest					
Other persons/corporations		—	62,133		
Total interest		—	62,133		
Other income					
Realised gain on disposal of investment		—	155,000		
Other income		—	7,495		
Total other income		—	162,495		
Total income	6	—	1,857,153		
(e) Expenses from discontinued operations					
Salaries and employee benefit expenses		—	655,577		
Fund management and administration fees		—	82,346		
Depreciation of non-current assets					
— Furniture & fittings		—	629		
— Office equipment		—	6,434		
— Leasehold improvements		—	3,212		
Total depreciation of non-current assets		—	10,275		

Notes to the Financial Statements

	Note	CONSOLIDATED 2007 $	2006 $
5. REVENUE AND EXPENSES (CONT.)			
(e) Expenses from discontinued operations (cont.)			
Other expenses			
Accounting & audit fees		—	20,289
Operating lease rental — minimum lease payments		—	40,274
Marketing & stationery expenses		—	11,688
Travel & accommodation costs		—	8,821
Communication costs		—	13,880
Payroll tax		—	49,975
Legal & compliance fees		—	41,023
Insurance charges		—	42,695
Subscriptions		—	13,147
Other expenses		—	59,599
Total other expenses		—	301,391
Total expenses	6	—	1,049,589

6. DISCONTINUED OPERATIONS

The Board of Directors entered into a sale agreement to dispose of the Company's 50 percent interest in Armytage private Limited (Armytage), a company that predominantly focused on funds management for private clients. The disposal was completed on 11 July 2006, on which date control of the business passed to the acquirer.

As at 30 June 2006, Treasury Group Ltd carried the investment in Armytage at a cost of $299,591 as disclosed in Note 28.

The results of the discontinued operations for the year are presented below:

	Note	2007 $	2006 $
Revenue	5 (d)	—	1,857,153
Expenses	5 (e)	—	(1,049,589)
Profit before tax from discontinued operations		—	807,564
Income tax expense		—	(272,776)
Profit from discontinued operations		—	534,788

The major classes of assets and liabilities attributable to Armytage private Limited at 30 June 2006 are as follows:

		2007 $	2006 $
Assets			
Cash and cash equivalents		—	1,026,203
Receivables and other receivables		—	656,881
Deferred tax asset		—	20,957
Available for sale investments		—	282,573
Plant and Equipment		—	27,834
Goodwill		—	137,971
Assets classified as held for sale		—	2,152,419
Liabilities			
Trade creditors and payables		—	488,676
Tax liabilities		—	73,185
Liabilities directly associated with assets classified for sale		—	561,861
Net assets attributable to discontinued operations			1,590,558

6. DISCONTINUED OPERATIONS (CONT.)

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $
The net cash flows of Armytage private Limited are as follows:			
Operating activities		—	1,032,271
Investing activities		—	(257,749)
Financing activities		—	(500,000)
Net cash inflow		—	274,522

Details of the disposal of Armytage are as follows:

The major classes of assets and liabilities attributable to Armytage are as follows:

	Note	11 JULY 2006
Assets		
Cash and cash equivalents		1,026,203
Trade and other receivables		656,881
Deferred tax asset		20,957
Available for sale investments		282,573
Plant and Equipment		27,834
Goodwill		137,971
Assets classified as held for sale		2,152,419
Liabilities		
Trade and other payables		488,676
Tax liabilities		73,185
Liabilities directly associated with assets classified for sale		561,861
Net assets attributable to discontinued operations		1,590,558
Consideration received or receivable		
Cash and short term deposits		1,000,000
Present value of deferred sales proceeds		1,775,047
Total disposal consideration		2,775,047
Net assets disposed		(1,590,558)
Less: Minority interest in net assets		760,456
Divestment costs associated with disposal		(35,452)
Gain on disposal before income tax		1,909,493
Income tax expense		(659,075)
Gain on disposal after income tax		1,250,418
The proceeds on the sale exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale		
Net cash inflow on disposal		1,000,000
Cash and cash equivalents balance disposed of	9 (a)	(1,026,203)
Reflected in the cash flow statement		(26,203)

	30 JUNE 2007	30 JUNE 2006
Earnings per share (cents per share):		
— Basic from discontinued operations	5.61	1.22
— Diluted from discontinued operations	5.52	1.18

Notes to the Financial Statements

	TREASURY GROUP LIMITED
	11 JULY 2006 $
6. DISCONTINUED OPERATIONS (CONT.)	
Proceeds	2,775,045
Investment disposed	(299,591)
Divestment costs associated with disposal	(35,452)
Gain on disposal before income tax	2,440,002
Income tax expense	(659,075)
Gain on disposal after income tax	1,780,927

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2007 $	2006 $	2007 $	2006 $
7. INCOME TAX				
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax (charge)/benefit	(9,775,759)	(9,195,266)	(81,935)	458,819
Adjustments in respect of current income tax charge of previous years	(107,261)	(18,144)	43,687	9,072
Deferred income tax				
Relating to origination and reversal of temporary differences	(1,626,771)	(26,126)	(309,435)	78,444
Income tax expenses reported in the Income Statement	(11,509,791)	(9,239,536)	(347,683)	546,335
(b) Amounts charged directly to equity				
Deferred income tax related to income charged or credited directly to equity				
Unrealised gain on available-for-sale investments	169,355	361,290	—	—
Income tax expense reported in equity	169,355	361,290	—	—
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	40,006,312	34,855,986	18,286,325	7,900,358
Accounting profit before tax from discontinued operations	1,909,493	807,564	—	—
Accounting profit before income tax:	41,915,805	35,663,550	18,286,325	7,900,358
At the Group's statutory income tax rate of 30% (2006: 30%)	12,574,741	10,699,065	5,485,898	2,370,107
Share of net profit of associates	(1,393,754)	(1,252,429)	—	—
Share-based payments	161,454	151,733	103,132	151,733
Tax offset for franked distribution	(39,554)	—	(5,198,502)	(3,090,534)
Recoupment of losses not previously recognised	(72,926)	(116,492)	(72,926)	—
Expenditure not allowable for income tax purposes	24,325	8,244	4,881	4,216
Other	255,505	22,191	25,200	18,143
Aggregate income tax expense	11,509,791	9,512,312	347,683	(546,335)
Aggregate income tax expense is attributable to:				
Continuing operations	10,850,716	9,239,536	(311,392)	(546,335)
Discontinued operations	659,075	272,776	659,075	—
	11,509,791	9,512,312	347,683	(546,335)

7. INCOME TAX (CONT.)

	BALANCE SHEET 2007 $	BALANCE SHEET 2006 $	INCOME STATEMENT 2007 $	INCOME STATEMENT 2006 $
(d) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax assets				
Tax losses	587,951	1,232,593	—	—
Provisions	1,499,481	645,214	(821,791)	(48,505)
Other	240,021	170,431	(459,980)	22,379
	2,327,453	2,048,238		
Deferred tax liabilities				
Revaluations of available-for-sale investments to fair value	(540,036)	—	—	—
Revaluation of convertible notes to fair value	(345,000)	—	(345,000)	—
Application of AASB 132 and 139	—	(361,290)	—	—
	(885,036)	(361,290)	(1,626,771)	(26,126)
Parent				
Deferred tax assets				
Tax losses	362,951	721,195		
Provisions	23,568	12,762	10,806	59,421
Other	13,730	42,322	24,759	19,023
	400,249	776,279		
Deferred tax liabilities				
Revaluation of convertible notes to fair value	(345,000)	—	(345,000)	—
	(345,000)	—	(309,435)	78,444
(e) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	—	388,307	—	—
Potential tax benefit at 30%	—	116,492	—	—

All unused tax losses were incurred by Australian entities.

The Group has tax losses arising in Australia of $1,959,837 (2006: $2,176,122) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

(f) Unrecognised temporary differences

At 30 June 2007, the Group has unrecognised deferred income tax liability of $999,019 (2006: $1,944,728) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates should the companies remit all of their retained earnings at that date.

(g) Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group. Treasury Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group allocate current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations are made at the end of each half year.

The allocation of taxes is recognised as an increase / decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Treasury Group Limited. The Group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

Notes to the Financial Statements

	TREASURY GROUP LIMITED 2007 $	2006 $
7. INCOME TAX (CONT.)		
In preparing the accounts for Treasury Group Limited for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:		
Total decrease to tax expense of Treasury Group Limited	(380,760)	(546,335)
Total increase to inter-company assets of Treasury Group Limited	380,760	546,335
8. DIVIDENDS PAID AND PROPOSED		
(a) Dividends proposed and not recognised as a liability*		
Final fully franked dividend 35 cents per share (2006: 32 cents per share)	7,903,907	7,077,309
(b) Dividends paid during the year		
Current year interim		
Fully franked dividend (25 cents per share) (2006: 18 cents per share)	5,645,648	3,973,546
Previous year final		
Fully franked dividend (32 cents per share) (2006: 27 cents per share)	7,077,309	5,956,810
Total paid during the year (57 cents per share) (2006: 45 cents per share)	12,722,957	9,930,356

* Calculation based on the ordinary shares on issue as at 30 June 2007

	2007 $	2006 $
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
— franking account balance as at the end of the financial year at 30% (2006: 30%)	4,221,989	4,324,523
— franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	1,500,018	720,546
	5,722,007	5,045,069
The amounts of franking credits available for future reporting periods:		
— impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(3,387,389)	(3,033,132)
Franking credits carried forward after payment of final dividend	2,334,618	2,011,937

The tax rate at which paid dividends have been franked is 30% (2006: 30%).

Dividends proposed will be franked at the rate of 30% (2006: 30%).

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
9. CASH AND CASH EQUIVALENTS					
(a) Reconciliation of cash and cash equivalents					
Cash balance comprises:					
— cash at bank and in hand		6,189,634	2,482,009	1,079,338	1,022,619
— commercial bills		18,432,384	16,955,179	9,957,028	8,265,247
Closing cash balance for Balance Sheet		24,622,018	19,437,188	11,036,366	9,287,866
Cash at bank and in hand attributable to discontinued operations	6 (a)	—	1,026,203	—	—
Closing cash balance for Cash Flow Statement		24,622,018	20,463,391	11,036,366	9,287,866
(b) Reconciliation					
Net profit		30,406,014	26,151,238	17,938,643	8,446,693
Adjustments for					
Depreciation and amortisation of non-current assets		306,304	359,572	51,948	93,217
Amortisation of lease incentive		—	16,490	—	16,490
Amortisation of deferred interest		(146,626)	—	(146,625)	—
Net loss on disposal of plant and equipment		6,338	61,495	3,042	61,494
Share of associates' net profits		(4,645,846)	(4,174,762)	—	—
Dividend received from associates		3,828,177	2,801,693	—	—
Non-cash distribution on investment		(647,023)	(116,392)	—	—
Gain on investments		(564,517)	—	—	—
Write off of plant and equipment		—	43,413	—	2,755
Foreign exchange loss		27,992	—	5,021	—
Non-cash interest from related companies		(117,528)	(19,193)	(209,163)	(94,672)
Share-based payments		611,405	626,253	343,773	505,776
Gain on disposal of subsidiary		(1,909,493)	—	(2,440,002)	—
Fair value gain on convertible note		(1,150,000)	—	(1,150,000)	—
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		(3,564,744)	(1,151,947)	(364,050)	633,081
(Increase)/decrease in dividends receivable		1,681,275	721,116	(1,818,767)	3,539,972
(Increase)/decrease in deferred tax assets		(279,215)	(1,639,451)	376,030	(459,833)
(Increase)/decrease in prepayments and other current assets		(1,706)	(358,586)	118,032	18,928
(Decrease)/increase in trade creditors		1,326,620	(51,490)	42,682	(45,765)
(Decrease)/increase in other creditors and accruals		1,172,102	723,046	—	65,424
(Decrease)/increase in tax provision		385,143	(738,513)	—	—
(Decrease)/increase in deferred tax liability		345,000	—	345,000	—
(Decrease)/increase in employee benefits		33,060	234,703	37,133	18,430
(Decrease)/increase in long service leave		214,400	—	—	—
Net cash flow from operating activities		27,317,132	23,488,685	13,132,697	12,801,990

(c) Financing facilities available

At reporting date, Treasury Group Limited did not have any financing facilities available.

Notes to the Financial Statements

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
10. TRADE AND OTHER RECEIVABLES					
Current					
Trade receivables	(i)	11,980,183	9,498,923	—	—
Sundry receivables	(ii)	338,983	235,444	21,448	20,237
Receivable from disposal of subsidiary	(iii)	1,000,000	—	1,000,000	—
Other receivables	(ii)	43,327	19,914	—	—
Related party receivables	(iv)				
— Subsidiaries — Dividend		—	—	3,500,042	—
— Other		—	—	459,326	639,746
— Associates — Dividend		—	1,681,275	—	1,681,275
— Other		753,367	625,675	274,629	252,951
— Other related parties		3,325,952	2,498,014	31,900	—
		17,441,812	14,559,245	5,287,345	2,594,209

Terms and conditions

(i) Trade receivables are non-interest bearing and generally on 30 day terms.

(ii) Sundry receivables and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

(iii) The instalment is non-interest bearing and has a payment date of 11 July 2007.

(iv) Details of the terms and conditions of related party receivables are set out in Note 28.

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
Non-current					
Receivable from disposal of subsidiary	(i)	1,000,000	—	1,000,000	—
		1,000,000	—	1,000,000	—

Terms and conditions

(i) The instalment is non-interest bearing and has a payment date of 11 July 2008.

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
11. AVAILABLE-FOR-SALE INVESTMENTS				
Current				
Units in unlisted managed investment trust				
— Investors Mutual Small Caps Fund	3,926,413	—	—	—
— Investors Mutual Value and Income Fund	3,839,831	3,262,490	—	—
— Global Value Investors Industrial Share Fund	907,618	3,675,834	—	—
— Sandhurst Professional Series	2,571,893	2,000,000	—	—
	11,245,755	8,938,324	—	—
Non-current				
Unlisted shares in other corporations	591,038	14,650	192,479	14,550
Security deposits	409,386	485,634	260,646	336,985
	1,000,424	500,284	453,125	351,535

Units are readily saleable with no fixed terms. Had the investments been sold on 30 June 2007 a capital gains tax of $540,000 (2006: $361,290) would have arisen.

The fair value of the unlisted available for sale investments is based on the current unit price of the investments which is determined by the value of the underlying investments of the unit trust.

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS					
Convertible notes	12(a)	1,200,000	50,000	1,200,000	50,000
		1,200,000	50,000	1,200,000	50,000

(a) The convertible notes convert at the option of Treasury Group Limited to 40% of the equity of RARE Infrastructure Ltd (RARE). An increment of $1,150,000 was recognised as a fair value gain. The fair value has been based on an independent valuers report from RSM Bird Cameron. The valuation was based on a percentage of FUM and assumed that a 60% chance of RARE becoming profitable, at which point the conversion right would be exercised.

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
13. LOANS AND OTHER RECEIVABLES (NON-CURRENT)					
Loans receivables due from:					
Subsidiaries	13(a), (b), 28	—	—	2,812,505	1,750,227
Other related parties	13(a), (b), 28	2,693,135	—	2,693,135	—
		2,693,135	—	5,505,640	1,750,227

(a) Other receivables are interest bearing at commercial rates with no fixed repayment dates.

(b) The majority of non-current loans to associates and a controlled entity are subordinated to Australian Securities and Investments Commission (ASIC).

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $
14. INVESTMENTS IN ASSOCIATES			
Investment in associates	14 (a)	8,686,531	7,868,862

Name	Balance date	Ownership interest held by consolidated entity 2007 %	Ownership interest held by consolidated entity 2006 %
(a) Interests in associates			
Orion Asset Management (Aust) Pty Ltd — ordinary shares	30 June	41.9	41.9
Confluence Asset Management Ltd — ordinary shares	30 June	35	35

(i) Principal activity

(a) Orion Asset Management (Aust) Pty Ltd is the parent company of Orion Asset Management Ltd, a wholesale fund management company in Australia.

(b) Confluence Asset Management Ltd is a funds management company which specialises in investing in companies with a small business capitalisation in Australia.

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $
(ii) Share of associates' balance sheets:		
Current assets	6,518,699	8,011,737
Non-current assets	67,745	53,437
Current liabilities	(3,263,928)	(5,581,160)
Net assets	3,322,516	2,484,014

Notes to the Financial Statements

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $
14. INVESTMENTS IN ASSOCIATES (CONT.)		
(iii) Share of associates' profits		
Share of associates':		
— profits before income tax	6,572,784	5,971,301
— income tax expense	(1,926,938)	(1,796,539)
— profit after income tax	4,645,846	4,174,762
(iv) Carrying amount of investment in associates		
Balance at the beginning of the year	7,868,862	2,295,792
— new investment during financial year	—	4,200,000
— share of associates' net profits for the financial year	4,645,846	4,174,762
— dividends received from associates	(3,828,177)	(2,801,692)
Balance at the end of the year	8,686,531	7,868,862

There were no impairment losses relating to the investment in associates and no capital commitments or other commitments relating to the associate.

The investments in associates are carried at cost on the Balance Sheet of Treasury Group Limited, as disclosed in Note 18.

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
15. PLANT AND EQUIPMENT					
Furniture & fittings					
At cost		162,743	183,506	38,026	44,070
Accumulated depreciation		(46,529)	(39,354)	(14,094)	(14,951)
	15(a)	116,214	144,152	23,932	29,119
Office equipment					
At cost		929,058	898,463	247,241	265,725
Accumulated depreciation		(676,489)	(524,214)	(175,442)	(152,585)
	15(a)	252,569	374,249	71,799	113,140
Leasehold improvements					
At cost		434,652	551,087	4,819	121,254
Accumulated depreciation		(271,391)	(210,540)	(964)	(44,497)
	15(a)	163,261	340,547	3,855	76,757
Total written down amount		532,044	858,948	99,586	219,016
(a) Reconciliations					
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.					
Furniture & fittings					
Carrying amount at beginning		144,152	101,552	29,119	34,168
Relating to discontinued operations		—	(5,590)	—	—
Carrying amount relating to continuing operations		144,152	95,962	29,119	34,168
Additions		5,742	63,509	5,742	—
Disposals		(19,741)	(1,895)	(8,406)	(1,441)
Depreciation expense		(13,939)	(13,424)	(2,523)	(3,608)
		116,214	144,152	23,932	29,119

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	TREASURY GROUP LIMITED 2007 $	TREASURY GROUP LIMITED 2006 $
15. PLANT AND EQUIPMENT (CONT.)					
(a) Reconciliations (cont.)					
Office equipment					
Carrying amount at beginning		374,249	355,365	113,140	165,905
Relating to discontinued operations		—	(11,563)	—	—
Carrying amount relating to continuing operations		374,249	343,802	113,140	165,905
Additions		74,927	230,274	14,806	18,295
Disposals		(11,593)	(5,688)	(9,310)	(1,315)
Depreciation expense		(185,014)	(194,139)	(46,657)	(69,745)
		252,569	374,249	71,799	113,140
Leasehold improvements					
Carrying amount at beginning		340,547	501,407	76,757	93,580
Relating to discontinued operations		—	(15,251)	—	—
Carrying amount relating to continuing operations		340,547	486,156	76,757	93,580
Additions		4,819	70,428	4,819	41,545
Disposals		(76,715)	(74,303)	(76,757)	(38,504)
Depreciation expense		(105,390)	(141,734)	(964)	(19,864)
		163,261	340,547	3,855	76,757
16. INTANGIBLES					
Software					
At cost		6,683	—	6,018	—
Accumulated amortisation		(1,961)	—	(1,805)	—
	16(a)	4,722	—	4,213	—
(a) Reconciliations					
Reconciliations of the carrying amounts of intangibles at the beginning and end of the current financial year.					
Software					
Carrying amount at beginning		—	—	—	—
Additions		6,683	—	6,018	—
Amortisation expense		(1,961)	—	(1,805)	—
		4,722	—	4,213	—
17. GOODWILL AND IMPAIRMENT TESTING					
Carrying amount at the beginning of the financial year		2,271,268	1,646,139		
Additions		—	763,100		
Reclassified as held-for-sale		—	(137,971)		
Carrying amount at the end of the financial year		2,271,268	2,271,268		

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

Goodwill acquired through business combinations have been allocated to the individual cash generating units, which are the individual subsidiaries, for impairment testing as follows:

- Investors Mutual Ltd; and
- Treasury Asia Asset Management Ltd.

Key assumptions used in value in use calculations:

Discount rates — 8.5% before tax;

Growth rate estimates — Based on current year budgets, after which a growth rate of 5% has been assumed.

Notes to the Financial Statements

17. GOODWILL AND IMPAIRMENT TESTING (CONT.)

Sensitive to changes in assumptions

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the cash-generating units to materially exceed their recoverable amounts.

		CONSOLIDATED		TREASURY GROUP LIMITED	
	Note	2007 $	2006 $	2007 $	2006 $
Carrying amount of goodwill allocated to each of the cash generating units					
Investors Mutual Ltd		1,508,168	1,508,168	—	—
Treasury Asia Asset Management Ltd		763,100	763,100	—	—
		2,271,268	2,271,268	—	—

18. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Note	2007 $	2006 $	2007 $	2006 $
Investment in controlled entities — unlisted	28	—	—	9,633,877	9,633,877
Investment in associates — unlisted	14	—	—	5,788,936	5,788,936
		—	—	15,422,813	15,422,813

Units are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

19. TRADE AND OTHER PAYABLES (CURRENT)

	Note	2007 $	2006 $	2007 $	2006 $
Trade payables	(a)	2,043,782	717,162	37,005	10,429
Employee entitlements		490,079	457,019	79,673	42,540
Other payables	(a)	10,394,475	6,590,632	666,195	579,332
Related party payables:					
— subsidiaries	(b)	—	—	—	8,907
— associates	(b)	1,304,968	325,535	—	—
		14,233,304	8,090,348	782,873	641,208

Terms and conditions

Terms and conditions relating to the above financial instruments:

(a) Trade payables and other payables are non-interest bearing and are normally settled on 30 day terms.

(b) Details of the terms and conditions of related party payables are set out in Note 28.

20. PROVISIONS (NON-CURRENT)

	Note	2007 $	2006 $	2007 $	2006 $
Provision for long service leave		214,400	—	—	—
		214,400	—	—	—

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2007 $	2006 $	2007 $	2006 $

21. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares				
Issued and fully paid	26,805,890	23,404,024	26,805,890	23,404,024

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	TREASURY GROUP LIMITED			
	2007		2006	
	Number of shares	$	Number of shares	$
(b) Movements in ordinary shares on issue				
Balance at beginning of the financial year	22,075,258	23,404,024	21,699,925	22,012,557
Issued during the year				
— exercise of options	507,333	3,401,866	375,333	1,391,467
Balance at end of the financial year	22,582,591	26,805,890	22,075,258	23,404,024

(c) Share Options

Options over ordinary shares:

During the financial year 150,000 options were issued over ordinary shares (2006: 930,000). The options had a weighted average exercise price of $16.00 (2006: $16.14).

At the end of the year there were 2,129,001 (2006: 2,426,334) unissued ordinary shares in respect of which 2,129,001 options (2006: 2,385,001) were outstanding (41,333 options were exercised on 30 June 2006, in respect of which shares were issued after 30 June 2006).

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2007 $	2006 $	2007 $	2006 $
(d) Retained profits				
Balance at the beginning of the year	13,405,893	8,936,912	5,288,421	6,772,084
Net profit for the year	18,003,774	14,399,337	17,938,643	8,446,693
Dividends	(12,722,957)	(9,930,356)	(12,722,957)	(9,930,356)
Balance at end of year	18,686,710	13,405,893	10,504,107	5,288,421
(e) Reserves				
Net unrealised gains reserve				
Balance at the beginning of year	863,996	—	—	—
Application of AASB 132 and AASB 139	—	305,241	—	—
Net unrealised gains on available-for-sale investments	574,829	929,787	—	—
Tax effect of gains on available-for-sale investments	(178,746)	(371,032)	—	—
Balance at end of year	1,260,079	863,996	—	—

Notes to the Financial Statements

		CONSOLIDATED		TREASURY GROUP LIMITED	
	Notes	2007 $	2006 $	2007 $	2006 $
21. CONTRIBUTED EQUITY AND RESERVES (CONT.)					
Options reserve					
Balance at the beginning of year		1,548,374	159,021	1,548,374	159,021
Share-based payments		611,405	626,253	343,773	505,776
Investment		63,135	763,100	63,135	763,100
Share-based payments recharged to related parties		—	—	73,226	120,477
Balance at end of year		2,222,914	1,548,374	2,028,508	1,548,374
Total reserves		3,482,993	2,412,370	2,028,508	1,548,374

Nature and purpose of reserves

Net unrealised gains reserve

The reserve records after tax fair value changes on available-for-sale investments.

Options reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration as well as recording the value of the Company's investments in related companies. Refer to Note 23 for further details of these plans.

(f) Minority Interests

Interest in retained earnings		5,478,007	7,549,023		
		5,478,007	7,549,023		

22. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into commercial property leases to meet its office accommodation requirements. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Notes	Consolidated 2007 $	Consolidated 2006 $	Treasury Group Limited 2007 $	Treasury Group Limited 2006 $
Future minimum rentals:					
Minimum lease payments	22(a)				
— not later than one year		524,706	652,454	153,987	337,327
— later than one year and not later than five years		1,168,579	1,748,487	543,875	1,327,123
Aggregate lease expenditure contracted for at reporting date		1,693,285	2,400,941	697,862	1,664,450
Aggregate expenditure commitments comprise:					
Amounts provided for:					
— lease incentive liability — current	22(b)	—	16,490	—	16,490
— non-current	22(b)	—	44,582	—	44,582
		—	61,072	—	61,072
Amounts not provided for:					
— rental commitments		1,693,285	2,339,869	697,862	1,603,378
Total not provided for		1,693,285	2,339,869	697,862	1,603,378
Aggregate lease expenditure contracted for at reporting date		1,693,285	2,400,941	697,862	1,664,450

22. COMMITMENTS AND CONTINGENCIES (CONT.)

Note:

(a) Properties under non-cancellable operating leases have been sub-let to controlled entities and an associate. The total of future minimum lease payments expected to be received from controlled entities and associates at the reporting date are $0 (2006: $48,035) and $149,454 (2006: $149,454) respectively.

(b) These commitments reflect the non-cash incentive received by the consolidated entity for entering into a non-cancellable operating lease for premises occupied by Treasury Group Limited, entered into in March 2004. The lease term was six years and the incentive liability was reduced on an imputed interest basis at the rate implicit in the lease. Treasury Group Limited re-assigned the lease and vacated the premises during the year.

The consolidated entity's share of the associates' lease commitment at the reporting date is $0 (2006: $99,949).

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Officer and Executive Option Plan

An Officer and Executive Option Plan has been established where Treasury Group Limited may, at the discretion of the Board of Directors, grant options over the ordinary shares of Treasury Group Limited to Directors, executives and certain members of staff of the consolidated entity. The options are granted in accordance with performance guidelines established by the Board of Directors of Treasury Group Limited, although the Board of Treasury Group Limited retains the final discretion on the issue of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The options are not quoted on the ASX. There are no cash settlement alternatives. Employees have to be employed by the consolidated group during the vesting period, otherwise the options are forfeited.

The expense recognised in the Income Statement in relation to this share-based payments plan is $416,999 for the Consolidated Entities (2006: $626,253) and $343,773 (2006: $505,776) for the Parent.

No additional options were issued during the financial year. The weighted average fair value of options granted during the prior year was $1.76.

The following table illustrates the number and weighted average exercise prices of and movements in share options outstanding during the year:

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,362,000	$13.01	1,076,666	$7.48
— forfeited during the year	(55,000)	$10.00	—	—
— granted during the year	—	—	730,000	$16.14
— exercised during the year	(400,000)	$7.50	(191,666)	$0.65
— reduction on termination *	—	—	(253,000)	$10.33
Outstanding at the end of the year	907,000	$15.68	1,362,000	$13.01
Exercisable at the end of the year	2,000	$7.16	402,000	$7.50

*Some employees left the employment of the Group during 2006, but were entitled to retain their options.

The outstanding balance as at 30 June 2007 is represented by:

- 2,000 options over ordinary shares with an exercise price of $7.16, exercisable until 1 March 2009;
- 175,000 options over ordinary shares with an exercise price of $10.00, exercisable between 5 July 2007 and 5 August 2007;
- 250,000 options over ordinary shares with an exercise price of $16.00, exercisable between 30 June 2008 and 1 January 2009;
- 220,000 options over ordinary shares with an exercise price of $16.00, exercisable between 1 July 2008 and 31 December 2008;
- 150,000 options over ordinary shares with an exercise price of $19.00, exercisable between 30 June 2010 and 1 January 2011; and
- 110,000 options over ordinary shares with an exercise price of $19.00, exercisable between 1 July 2010 and 31 December 2010.

The fair value of options granted is estimated on the date of granting using a Binomial option-pricing model applying the following assumptions:

	2007	2006
• Historical volatility for the financial year	N/A	28%
• Risk free rate	N/A	5.7%
• Dividend yield	N/A	4.0%
• Expected life	N/A	3 – 5 years
• Other variables as contained in the notes to the financial report.		

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of options granted were incorporated the measurement of fair value.

Notes to the Financial Statements

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONT.)

Employee Share Plan

The Employee Share Plan has been established whereby Treasury Group Limited, at the discretion of the Board of Directors, provides the opportunity to employees and Directors to purchase shares in Treasury Group Limited at market value less a discount of 5% to 20%. These shares are purchased via a salary sacrifice arrangement. The shares are held in trust at the employee's request for a period between 2 and 10 years. Employees have to be employed by the consolidated group while taking part in the plan. There are 62 employees eligible to participate in the plan. Shares acquired under the Employee Share Plan vest immediately. During the year 119,276 shares were purchased under the plan at a weighted average cost of $11.36.

Converting Preference Share Plan

IML has introduced share based payment plans for certain of their staff. The board of IML has ultimate discretion over the granting of share based payments.

Converting Preference Shares (CPS) issued in conjunction with non recourse loans are accounted for in accordance with AASB 2 Share Based Payments. As a result, the amounts receivable from employees in relation to these loans and the share capital issued under the scheme is not recognised. The CPS are non-voting securities that receive a fixed coupon. The CPS convert to non-voting B-Class shares in the subsidiary on 1 January 2009. Participants in that plan can deal with 50% of the shares on this date and may deal with the remaining 50% on or after 1 January 2011. The non-recourse loans have been issued for a term of 10 years.

The plan has been valued using the Black-Scholes valuation method under the following assumptions:

- Exercise price — $41
- After tax interest rate — 5.11%
- Expected life — 4 – 5 years

The expense recognised in the Income Statement in relation to this share-based payments plan is $133,875 for the consolidated statements (2006: $0) and $0 (2006: $0) for the Parent.

Other Employee Share Based Payments

During the year Treasury Asia Asset Management Limited (TAAM), a subsidiary of Treasury Group Limited issued shares in TAAM to a number of key employees.

The shares vested immediately and were valued based on an independent valuer's report obtained from RSM Bird Cameron at the time of issuing the shares.

The expense recognised in the Income Statement in relation to this share-based payments plan is $60,531 for the consolidated statements (2006: $0) and $0 (2006: $0) for the Parent.

24. SUBSEQUENT EVENTS

2007

- On 13 July 2007 Treasury Group Limited issued 150,000 options to a key employee. The options vest on 1 July 2010 and have an exercise price of $20.
- On 13 July 2007 Treasury Group Limited announced a proposal to issue the Managing Director, David Cooper, 500,000 options with a exercise price of $20. This will require the approval of shareholders at the Annual General Meeting.
- On 16 July 2007 Treasury Group Limited provided a convertible loan, converting into 35% of Cannae Capital Partners Ltd's ordinary share capital. Treasury Group Limited also has an option entitling it to purchase an additional 5% of the share capital at a multiple of NPAT after five years time. Cannae Capital Partners is a boutique asset manager specialising in Australian and New Zealand equities which was launched in July 2007.
- On 27 July 2007 the Board of Directors of Confluence Asset Management Limited passed a resolution to close the company's activities. The expected loss on the investment is $130,000.
- On 28 August 2007 the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2007 financial year. The total amount of the dividend is $7,903,907, which represents a fully franked dividend of 35 cents per share.

The financial effect of each of the above events has not been recognised.

	CONSOLIDATED 2007 $	2006 $
25. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent from continuing operations	16,753,356	14,131,943
Profit attributable to ordinary equity holders of the parent from discontinued operations	1,250,418	267,394
Net profit attributable to ordinary equity holders	18,003,774	14,399,337
	Number of shares	
Weighted average number of ordinary shares used in calculating basic earnings per share:	22,285,024	22,021,995
Effect of dilutive securities:		
Dilutive effect of potential ordinary shares — share options	377,664	596,564
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	22,662,688	22,618,559
Shares issued between reporting date and date of issue of the financial report	190,000	—
To calculate earnings per share amounts for the discontinued operations, the weighed average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used as the numerator:		
Net profit attributable to ordinary equity holders of the parent from discontinued operations:		
— for basic earnings per share	1,250,418	267,394
— for diluted earnings per share	1,250,418	267,394

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

M. Fitzpatrick	Chairman (non-executive)
D. Cooper	Managing Director
R. Green	Director (non-executive)
P. Kennedy	Director (non-executive)
D. Sharp	Director (non-executive), resigned 16 May 2007
R. Hayes	Director (non-executive), appointed 22 February 2007

(ii) Executives

J. Ferragina	Chief Financial Officer
E. Jurgeleit	Group Manager — Risk and New Business
C. Feldmanis	Managing Director — Treasury Group Investment Services Ltd
R. Sullivan	Head of Distribution
A. Tagliaferro	Investment Director — Investment Mutual Ltd

There were no changes to key management personnel between reporting date and the date the financial report was authorised for issue.

(b) Compensation of Key Management Personnel

AASB 124 *Related Party Disclosures* defines Key Management Personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (executive or otherwise) of that entity. In accordance with the definition, the Company believes that Key Management Personnel include all Directors and those Executives that report directly to the Managing Director.

Remuneration philosophy

The performance of the company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Significant portion of executive remuneration ‘at risk’, dependent upon meeting pre-determined performance benchmarks.

Notes to the Financial Statements

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

Remuneration committee
The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Remuneration structure
In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-executive director remuneration
Objective
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
In accordance with the ASX Listing Rules the aggregate remuneration of Non-Executive Directors is determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 15 November 2006 when shareholders approved an aggregate remuneration of $650,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually.

Non-Executive Directors do not receive performance based bonuses from Treasury Group Limited.

Executive remuneration
Objective
The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives of the Company, business unit and individual performance targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure
Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration
  - — Short Term Incentive ('STI'); and
  - — Long Term Incentive ('LTI')

The proportion of fixed remuneration and variable remuneration is established by the Remuneration Committee.

Fixed remuneration
Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of performance, relevant comparative remuneration in the market and advice on policies and practices.

Variable remuneration — Short Term Incentive (STI)
Objective
The objective of the STI plan is to link the achievement of the Company's operational targets with the remuneration received by the Executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the Executive to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure
Actual STI payments granted to each Executive depend on the achievement of annual corporate profitability measures, the most important being profit before bonus and tax, as well as the achievement of individual key performance indicators and other performance criteria.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration Committee. Payments are usually delivered as a cash bonus.

Variable remuneration — Long Term Incentive (LTI)
Objective
The objective of the LTI plan is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure
LTI grants are delivered in the form of options.

Details of the nature and amount of each element of the emolument of each director of the Company and each of the Key Management Personnel of the Company and the consolidated entity receiving the highest emolument for the financial year are as follows:

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

	Short term		Post employment	Share based payments		Other	Total	Performance related
	Salary & fees	Cash bonus	Super-annuation	Shares	Options	Termination benefits		
	$	$	$	$	$	$	$	
Directors								
M. Fitzpatrick								
2007	97,248	—	8,752	—	—	—	106,000	—
2006	60,206	—	4,903	—	—	—	65,109	—
D. Cooper								
2007	389,908	212,500	35,092	—	193,945	—	831,445	26%
2006	344,037	200,000	30,963	—	121,180	—	696,180	29%
L. IaFrate (resigned 2 June 2006)								
2006	114,472	60,000	24,339	88,000^	—	—	286,811	14%
R. Green								
2007	60,550	—	5,450	—	—	—	66,000	—
2006	144,160	—	8,340	—	—	—	152,500	—
P. Kennedy								
2007	83,500	—	—	—	—	—	83,500	—
2006	65,000	—	—	—	—	—	65,000	—
D. Sharp (resigned 16 May 2007)								
2007	139,518	—	—	—	—	—	139,518	—
2006	94,731	62,504*	—	—	—	—	157,235	—
R. Hayes (appointed 22 February 2007)								
2007	22,361	—	2,013	—	—	—	24,374	—
Executives								
J. Ferragina (appointed 4 October 2005)								
2007	217,314	80,500	12,686	—	93,611	—	404,111	20%
2006	154,563	66,000	9,027	—	74,733	—	304,323	22%
E. Jurgeleit								
2007	203,327	64,804	12,686	—	56,167	—	336,984	19%
2006	193,063	63,642	12,139	—	44,780	—	313,624	20%
C. Feldmanis (appointed 17 October 2005)								
2007	227,314	84,000	12,686	—	56,167	—	380,167	22%
2006	132,466	60,000	8,560	—	44,780	—	245,806	24%
R. Sullivan (appointed 1 May 2006)								
2007	162,314	99,115	12,686	—	—	—	274,115	36%
2006	27,143	—	2,023	—	—	—	29,166	—
A. Tagliaferro								
2007	165,115	—	42,385	—	—	—	207,500	—
2006	204,750	—	16,900	—	—	—	221,650	—
R. Kipp (resigned 1 October 2005)								
2006	59,465	—	5,352	—	34,349	331,981	431,147	—
Total remuneration: Key Management Personnel								
2007	1,768,470	540,919	144,435	—	399,890	—	2,853,714	19%
2006	1,594,056	512,146	122,546	88,000	319,822	331,981	2,968,551	17%

^ This bonus was not paid in shares of Treasury Group Limited

* Relates to 2005/06

Notes to the Financial Statements

Compensation by category: Key Management Personnel	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)				
Short-term	2,309,389	2,106,202	1,756,785	1,708,986
Post employment	144,435	122,546	89,364	97,086
Share-based payments	399,890	407,822	343,723	363,042
Termination benefits	—	331,981	—	331,981
Total remuneration	2,853,714	2,968,551	2,189,872	2,501,095

(c) Remuneration options: Granted and vested during the year

2007

No options were granted as equity compensation to Key Management Personnel or Directors during the year.

2006

				Terms and Conditions for Each Grant			
	Vested number	Granted number	Grant date	Value per option at grant date	Exercise price per option	First exercise date	Last exercise date
Directors							
D. Cooper	—	250,000	14/11/2005	$1.49	$16.00	30/06/2008	01/01/2009
D. Cooper	—	150,000	14/11/2005	$1.61	$19.00	30/06/2010	01/01/2011
Executives							
J. Ferragina	—	100,000	12/09/2005	$2.04	$16.00	01/07/2008	31/12/2008
J. Ferragina	—	50,000	12/09/2005	$2.01	$19.00	01/07/2010	31/12/2010
E. Jurgeleit	—	60,000	12/09/2005	$2.04	$16.00	01/07/2008	31/12/2008
E. Jurgeleit	—	30,000	12/09/2005	$2.01	$19.00	01/07/2010	31/12/2010
C. Feldmanis	—	60,000	12/09/2005	$2.04	$16.00	01/07/2008	31/12/2008
C. Feldmanis	—	30,000	12/09/2005	$2.01	$19.00	01/07/2010	31/12/2010
Total	—	730,000*					

During 2006 options were granted as equity compensation benefits to certain key management personnel as disclosed above. No options were issued to the non-executive members of the Board of Directors under this scheme. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices.

* The fair value of options granted is estimated on the day of grant using a Binomial option-pricing model with the following assumptions used; Historical volatility for the financial year of 28% (2006: 28%), Risk Free rate of 5.5%, a dividend consistent with the current policy of the Company and other variables as contained in the Notes to the financial report.

All options have a vesting condition of continuous service between grant date and first exercise date.

(d) Shares issued on exercise of remuneration options (Consolidated)

2007

	Shares issued Number	Paid $ per share
Directors		
D. Cooper	200,000	$7.00
D. Cooper	200,000	$8.00
Total	400,000	

All shares were fully paid.

2006

During the financial year ended 30 June 2006 the Company did not issue any shares to Key Management Personnel on exercise of remuneration options.

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(e) Option and Share Holdings of Key Management Personnel
Option holdings of Key Management Personnel

30 June 2007	Balance at 1 July 2006	Granted as remuneration	Options exercised	Options transferred on resignation	Balance at 30 June 2007	Total vested and exercisable at 30 June 2007*
Directors						
M. Fitzpatrick	—	—	—	—	—	—
D. Cooper	800,000	—	(400,000)	—	400,000	—
R. Green	—	—	—	—	—	—
P. Kennedy	—	—	—	—	—	—
D. Sharp #	—	—	—	—	—	—
R. Hayes^	—	—	—	—	—	—
Executives						
J. Ferragina	150,000	—	—	—	150,000	—
E. Jurgeleit	90,000	—	—	—	90,000	—
C. Feldmanis	90,000	—	—	—	90,000	—
R. Sullivan	—	—	—	—	—	—
A. Tagliaferro	—	—	—	—	—	—
Total	1,130,000	—	(400,000)	—	730,000	—

* Options are exercisable once vested
\# Resigned during the year
^ Appointed during the year

30 June 2006	Balance at 1 July 2005	Granted as remuneration	Options exercised	Options transferred on resignation	Balance at 30 June 2006	Total vested and exercisable at 30 June 2006*
Directors						
D. Cooper	400,000	400,000	—	—	800,000	—
Executives						
J. Ferragina	—	150,000	—	—	150,000	—
E. Jurgeleit	—	90,000	—	—	90,000	—
C. Feldmanis	—	90,000	—	—	90,000	—
R. Sullivan	—	—	—	—	—	—
A. Tagliaferro	—	—	—	—	—	—
R. Kipp	215,000	—	—	(215,000)	—	—
Total	615,000	730,000	—	(215,000)	1,130,000	—

* Options are exercisable once vested.

Notes to the Financial Statements

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(e) Option and Share Holdings of Key Management Personnel (Cont.)

Shareholdings of Key Management Personnel

30 June 2007

Ordinary shares held in Treasury Group Ltd (number)	Balance 1 July 2006	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2007
Directors					
M. Fitzpatrick	2,651,500	—	—	—	2,651,500
R. Green	1,465,000	—	—	—	1,465,000
D. Cooper	433,000	—	400,000	(200,000)	633,000
P. Kennedy	—	—	—	60,000	60,000
D. Sharp *	14,325	—	—	(14,325)	—
R. Hayes^	—	—	—	—	—
Executives					
J. Ferragina	—	—	—	19,588	19,588
E. Jurgeleit	—	—	—	—	—
C. Feldmanis	—	—	—	12,989	12,989
R. Sullivan	—	—	—	—	—
A. Tagliaferro	3,345,000	—	—	(2,000)	3,343,000
Total	7,908,825	—	400,000	(123,748)	8,185,077

* Resigned during the year.
^ Appointed during the year.

30 June 2006

Ordinary shares held in Treasury Group Ltd (number)	Balance 1 July 2005	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2006
Directors					
M. Fitzpatrick	2,651,500	—	—	—	2,651,500
R. Green	2,665,000	—	—	(1,200,000)	1,465,000
D. Cooper	533,000	—	—	(100,000)	433,000
P. Kennedy	—	—	—	—	—
D. Sharp	—	—	—	14,325	14,325
L.D.P. IaFrate *	1,868,000	—	—	(1,868,000)	—
Executives					
J. Ferragina	—	—	—	—	—
E. Jurgeleit	—	—	—	—	—
C. Feldmanis	—	—	—	—	—
R. Sullivan	—	—	—	—	—
A. Tagliaferro	3,467,000	—	—	(122,000)	3,345,000
R. Kipp *	102,000	—	—	(102,000)	—
Total	11,286,500	—	—	(3,377,675)	7,908,825

* Resigned during the year

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

26.KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(f) Contracts for Key Management Personnel

The Managing Director, Mr Cooper, is employed under contract. The current employment contract commenced on 15 July 2006 and terminated on 14 July 2007. The Company has entered into a new employment contract with Mr Cooper. The current contract commenced on 15 July 2007 and has no predetermined termination date. Under the terms of the present contract, a base salary of $500,000 (gross) will be paid effective from 1 July 2007.

As long term incentive, Mr Cooper will be awarded 500,000 $20 options on terms to be approved at the AGM.

Mr Cooper is also eligible for a bonus based on a number of clearly defined KPI's. Any bonus payment is at the sole discretion of the Remuneration Committee.

Additional terms in the contract include:

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Cooper is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.
- The Company may terminate the contract without notice if Mr Cooper becomes incapacitated by accident or an illness such that he is unable to perform his duties for 90 consecutive days or for an aggregate period of 90 days in any period of 12 months.

Where employment is terminated no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave.

Where the employment is terminated due to a decision by the Company to make the position redundant, the Company will pay Mr Cooper an amount the equivalent to 1 year's salary in addition to any payment to which Mr Cooper is entitled in relation to a notice period.

The Chief Financial Officer, Mr Ferragina, is employed under contract. The current employment contract commenced on 4 October 2005 and has no predetermined termination date. Under the terms of the contract Mr Ferragina may terminate the contract by giving three months written notice.

The Managing Director of Treasury Group Investment Services Ltd, Ms Feldmanis is employed under contract. Ms Feldmanis' current contract commenced on 17 October 2005 and has no predetermined termination date. Under the terms of the contract Ms Feldmanis may terminate the contract by giving three months written notice.

The General Manager of Risk and New Developments, Ms Jurgeleit is employed under contract and has no predetermined termination date. Under the terms of the contract Ms Jurgeleit may terminate the contract by giving one month written notice.

The Head of Distribution, Rob Sullivan, is employed under contract. The current employment commenced on 1 May 2006 and has no predetermined termination date. Under the terms of the contract Mr Sullivan may terminate the contract by giving one month written notice.

The Investment Director of IML, Mr Tagliaferro has a contract with no predetermined termination date. Under the terms of the contract Mr Tagliaferro and the company concerned may terminate the contract by giving a nine month notice period.

(g) Transactions with director-related entity

Details of the transactions with Director-related entities are set out in Note 28. All transactions were conducted on commercial terms.

(h) Loans to Directors

No loans have been advanced to Directors at any stage during the financial year ended 30 June 2007 (2006: $Nil).

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2007 $	2006 $	2007 $	2006 $
27. AUDITORS' REMUNERATION				
The auditor of Treasury Group Limited is Ernst & Young.				
Amounts received or due and receivable by Ernst & Young Australia in respect of continuing operations for:				
— an audit or review of the financial report of the entity and any other entity in the consolidated entity	211,570	205,831	82,500	85,150
— tax compliance	59,077	141,074	11,385	9,050
	270,647	347,905	93,885	94,200
Amounts received or due and receivable by Ernst & Young Australia in respect of discontinued operations for:				
— an audit or review of the financial report of the entity and any other entity in the consolidated entity	—	19,689	—	—
— tax compliance	—	600	—	—
	—	20,289	—	—

Notes to the Financial Statements

28. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Treasury Group Limited and the subsidiaries in the following list:

Name	Percentage of equity interest held by the consolidated entity		Treasury Group Limited Investments	
	2007 %	2006 %	2007 $	2006 $
Investors Mutual Ltd	50	50	3,869,925	3,869,925
Treasury Capital Management Pty Ltd	100	100	2	2
Treasury Group Investment Services Ltd	100	100	5,000,000	5,000,000
Treasury Group Nominees Pty Ltd	100	100	200	200
Global Value Investors Ltd	67	67	250	250
Treasury Asia Asset Management Ltd	41	47	763,500	763,500
			9,633,877	9,633,877
Discontinued operations:				
Armytage private Ltd	—	50	—	299,591

- All subsidiaries are incorporated in Australia.
- The Company sold its 50 percent interest in Armytage private Ltd on 11 July 2006, as disclosed in Note 6.
- Treasury Asia Asset Management Ltd is classified as a subsidiary company as Treasury Group Limited is able to exercise control over the company at Board level.
- Treasury Group Limited owns a majority of the ordinary shares capital of Investors Mutual Ltd and indirectly in Global Value Investors Ltd.

Transactions with wholly-owned controlled entities

Service fees

During the year, Treasury Group Limited provided administrative services to a wholly-owned controlled entity. Dealings were on commercial terms and conditions. Details of service fees and receivables at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Loans

Loans advanced by Treasury Group Limited to wholly-owned controlled entities are with no fixed repayment dates. Interests on the loans are capitalised at commercial fixed rates.

No additional amount (2006: $Nil) was advanced to a wholly-owned subsidiary, and repayment of $538,415 was received (2006: $Nil) during the year, repaying the outstanding loan. Details of interest income are disclosed in Note 5 to the financial report.

Transactions with partly-owned controlled entities

Service fees

During the year, Treasury Group Limited provided administrative services to partly-owned controlled entities. Dealings were on commercial terms and conditions. Details of service fees and receivables at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Dividend

Any dividend received and receivable at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Loans

Loans advanced by Treasury Group Limited to partly owned entities are with no fixed repayment dates. Interest on the loans is capitalised at commercial rates.

During the year, $965,000 (2006: $1,313,628) was advanced to a partly owned subsidiary and no repayments were received. Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 5 and Note 13 to the financial report respectively.

Sub-let of operating lease

Property under operating lease has been sub-let to partly-owned controlled entities. Details of the sub-let transaction are disclosed in Note 22 to the financial report.

Other

Mr D. Sharp has invested in investment schemes of the Group and received rebates on management fees totalling $7,894 (2006: $2,415) during the year.

28. RELATED PARTY DISCLOSURES (CONT.)

Transactions with associates

Service fees

During the year, a controlled entity provided administrative services to associates. Dealings were on commercial terms and conditions. Details of service fees and receivables at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Loans

During the year, Treasury Group Limited did not provide additional loans to associates (2006: $Nil). The existing loans have been in accordance with a working capital loan facility and are on a long-term basis. No repayments were received from associates during the year (2006: $2,106,022).

In accordance with the loan agreements, interest on the loans was capitalised at commercial fixed rates. Details of interest income are disclosed in Note 5 to the financial report.

Fund management and performance fees

During the year, a controlled entity entered into investment management agreements with associates to acquire fund management services. Dealings were on commercial terms and conditions. Fund management and performances fees paid amounting to $1,513,561 (2006: $1,646,577) is included in the Fund Management and Administration Fees on the Income Statement. Payables at the reporting date are disclosed in Note 19 to the financial report.

Transactions with director-related entity

Dividend and dividend receivable

Any dividends received and receivable at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Sub-let of operating lease

Property under operating lease has been sub-let to an associate. Details of the sub-let transaction are disclosed in Note 22 to the financial report.

Service fees

During the year a controlled entity of Treasury Group Limited provided management and administrative services to a listed investment company, a company of which Mr D. Sharp was a Director. Dealings were on commercial terms and conditions. Details of management fees amounting to $394,012 (2006: $296,826) are included in Note 5 to the financial report.

Fund management and performance fees

During the year the controlled entity also provided fund management services to the listed investment company. Dealings were on commercial terms and conditions. For the financial year, the controlled entity received a fund management fee and a performance fee of $2,660,719 (2006: $2,352,584) and $2,660,719 (2006: $2,236,582) respectively. The receivable at the reporting date is disclosed in Note 10 to the financial report.

Disposal of a subsidiary

During the year Treasury Group Limited disposed of a subsidiary to Australian Value Funds Management Limited of which Mr P. Kennedy was a Director and Chairman until he resigned from their Board on 2 January 2007. The transaction was on commercial terms and conditions. Details are included in Note 6 to the financial report.

Loans

Loans advanced by Treasury Group Limited to other related parties are with no fixed repayment dates. Interest on the loans is capitalised at commercial rates. The existing loans have been in accordance with a working capital loan facility and are on a long-term basis. No repayments were received from associates during the year (2006: $0)

During the year Treasury Group Limited provided loans of $2,509,503 to a company of which Treasury Group Limited is entitled to nominate a Director (2006: $0).

Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 5 and note 13 to the financial report respectively

29. SEGMENT INFORMATION

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

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS

(a) Interest rate risk

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 or without fixed repayment terms	Non interest bearing	Total carrying amount as per Balance Sheet	Weighted average interest rate
	$	$	$	$	$	$	
2007							
Financial assets							
Cash	6,189,634	18,432,384	—	—	—	24,622,018	6.18%
Receivables	—	—	—	256,566	18,185,246	18,441,812	8.50%
Convertible notes	—	—	—	—	1,200,000	1,200,000	N/A
Available-for-sale investments	—	—	409,386	—	11,836,794	12,246,180	5.97%
Loans	—	—	—	2,693,135	—	2,693,135	8.50%
TOTAL	6,189,634	18,432,384	409,386	2,949,701	31,222,040	59,203,145	
Financial liabilities							
Accounts payable	—	—	—	—	14,233,304	14,233,304	N/A
TOTAL	—	—	—	—	14,233,304	14,233,304	
2006							
Financial assets							
Cash	2,482,009	16,955,179	—	—	—	19,437,188	5.60%
Receivables	—	—	—	235,559	14,323,686	14,559,245	8.50%
Convertible notes	—	—	—	—	50,000	50,000	N/A
Available-for-sale investments	—	—	485,635	—	8,952,973	9,438,608	5.70%
TOTAL	2,482,009	16,955,179	485,635	235,559	23,326,659	43,485,041	
Financial liabilities							
Accounts payable	—	—	—	—	8,090,348	8,090,348	N/A
TOTAL	—	—	—	—	8,090,348	8,090,348	

N/A — not applicable for non-interest bearing financial instruments.

(b) Net fair values

2007

- Cash has been recognised at the reporting date at its historical value, which is also at its fair value.
- Trade and other receivables, with the exception of deferred receivables in respect of the disposal of Armytage, have been recognised at the reporting date at their historical value, which is also at their fair value.
- Deferred receivables in respect of the disposal of Armytage have been recognised at their discounted value.
- Available for sale investments are carried at their fair value.
- Convertible notes are carried at their fair value.
- Payables have been recognised at the reporting date at their historical value, which is also at their fair value.

2006

- Cash has been recognised at the reporting date at its historical value, which is also at its fair value.
- Trade and other receivables have been recognised at the reporting date at their historical value, which is also at their fair value.
- Available for sale investments are carried at their fair value.
- Payables have been recognised at the reporting date at their historical value, which is also at their fair value.

Directors' Declaration

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

1. In the opinion of the Directors:
   (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the *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 2007 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.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2007.

On behalf of the Board

M Fitzpatrick
Chairman
Melbourne, 28 August 2007

Independent auditor’s report
to the members of the Treasury Group Limited

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Independent auditor’s report to the members of Treasury Group Limited

We have audited the accompanying financial report of Treasury Group Limited (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the consolidated/parent financial statements and notes, comply with International Financial Reporting Standards.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of the Treasury Group Limited continued

ERNST & YOUNG

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. 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 financial position of Treasury Group Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

2. the consolidated/parent financial statements and notes or financial report also comply with International Financial Reporting Standards as disclosed in Note 2(b).

Ernst + Young

Ernst & Young

Sean Balding

Sean Balding
Partner
Melbourne
28 August 2007

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

(a) Distribution of equity securities (as at 31 July 2007).

The number of shareholders by size of holding, in each class of share are:

	Ordinary shares	
	Number of holders	Number of shares
1 — 1,000	1,384	866,155
1,001 — 5,000	1,192	2,671,335
5,001 — 10,000	118	867,957
10,001 — 100,000	99	3,257,922
100,001 and over	25	14,954,222
	2,818	22,617,591
The number of shareholders holding less than a marketable parcel of shares are:	8	84

(b) Twenty largest shareholders (as at 15 August 2007)

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	AKAT Investments Pty Ltd	3,343,000	14.68%
2	Squitchy Lane Holdings Pty Ltd	2,401,500	10.55%
3	Mini Investments Pty Ltd	1,460,000	6.41%
4	ANZ Nominees Limited	1,396,313	6.13%
5	Aust Executor Trustees NSW Ltd	803,466	3.53%
6	Mr David Cooper	633,000	2.78%
7	Top Pocket Pty Ltd	611,390	2.77%
8	UBS Nominees Pty Ltd	583,411	2.56%
9	JP Morgan Nominees Australia Limited	531,262	2.33%
10	HSBC Custody Nominees (Australia) Limited	511,370	2.25%
11	Cogent Nominees Pty Limited	458,715	2.01%
12	Perpetual Trustees Consolidated Limited	383,136	1.68%
13	Banson Nominees Pty Ltd	370,313	1.63%
14	Leyland Limited c/— Equity Trustees Limited	285,000	1.25%
15	HFM Investments Pty Ltd	250,000	1.10%
16	Harkosi Securities Pty Ltd	210,000	0.92%
17	Queensland Investment Corporation	175,304	0.77%
18	Treasury Group Nominees Pty Ltd	172,889	0.76%
19	RBC Dexia Investor Services Australia Nominees Pty Limited	154,709	0.68%
20	Mr Hugh Lauder Wallace	150,000	0.66%
		14,884,778	65.45%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Michael Fitzpatrick	2,651,500
Anton Tagliaferro and AKAT Investments Pty Ltd	2,500,000
Mini Investment Pty Ltd	1,465,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Corporate information

ABN 39 006 708 792

Directors

M. Fitzpatrick (Chairman)
D. Cooper
R. Green
P. Kennedy
R. Hayes

Chief Financial Officer

Joseph Ferragina

Company Secretary

Leah Watson

Registered Office

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470 Collins Street
Melbourne, Victoria, 3000

Phone (03) 9671 3667
Facsimile (03) 9661 8499

Sydney Office — Head Office

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50 Margaret Stree
Sydney, NSW, 2000

Phone (02) 8243 0400
Facsimile (02) 8243 0410

Bankers

Westpac Banking Corporation

Share Register

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford, Victoria, 3067

Phone (03) 9415 5000

Auditors

Ernst & Young

Internet Address

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