

TREASURY GROUP LTD
ABN 39 006 708 792

AND CONTROLLED ENTITIES

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2006
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E Preliminary Final Report

Name of entity

Treasury Group Limited

ABN : 39 006 708 792

1. Reporting period

Report for the financial year ended	30 June 2006
Previous corresponding period is the financial year ended	30 June 2005

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up	16%	to	<u>AS'000s</u> 51,630
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	14%	to	14,399
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up	14%	to	14,399
Dividends (<i>item 2.4</i>)		Amount per security		Franked amount per security
Interim dividend		18 cents		100%
Final dividend		32 cents		100%
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	18 September 2006			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				

Results Commentary

The results of Treasury Group Limited (TRG) for the year ended 30 June 2006 have been presented for the first time under Australian equivalents of International Financial Reporting Standards (AIFRS). A copy of the financial report for the year ended 30 June 2006 is attached. Treasury Group Limited and its subsidiaries and associates (Group) reflect the consolidation of results of the following entities:

Treasury Group Limited (head company)	
Treasury Group Investment Services Limited	(100%)
Investors Mutual Limited	(50%)
Global Value Investors Limited	(67%)
Treasury Asia Asset Management Limited	(47%)
Armytage private Limited (sold 11 July 2006)	(50%)

The results reflect the recognition of the share of profits of the following associate entities:

Orion Asset Management Limited	(42%)
Confluence Asset Management Limited	(35%)

Revenues and expenses reflect the consolidation of the head company and its subsidiaries. Revenues were up 16% on the comparative year primarily due to the increase in average funds under management (FUM) and the performance of the Group.

EBITDA (pre associates) was \$29.74m compared to \$29.01m in 04/05, an increase of 2.5%, whilst profit before tax of the consolidated group (including associates) was \$34.85m compared to \$31.93m in 04/05, an increase of 9%. This was the result of a number of non-recurring expenses during 2005/06, in particular the combined losses from two new businesses of approximately \$1.4 million and redundancy and executive recruitment costs of approximately \$470,000. If these factors are excluded, EBITDA would show an increase of 9% on 04/05.

Share of profits from associates was up by \$2.3 million or 124% year to year . This was primarily due to the strong growth and performance of Orion Asset Management Limited.

Profit before tax (which includes share of profits from associates) was up more than 9% from 2004/05, however if consideration is given to non-recurring costs, profit before tax would show an increase of 15% from 04/05.

On 11 July 2006, TRG entered into a contract to sell its 50% stake in Armytage private Limited (ApL) for \$3 million. ApL is a boutique funds manager specialising in private clients which was considered non core to TRG. The profit on the sale of the shares in ApL will be recognised in the results for the year ended 30 June 2007.

TRG strengthened management and developed a platform for further, diversified growth in 05/06 while achieving a pleasing increase in net profit after tax of \$14.4 million, up 14% from 04/05. This increased profit and solid development of the

business has led your directors to approve an increase in the dividend and payout ratio for the year ended 30 June 2006.

3. Income Statement *(item 3)*

Refer to the attached statement

4. Balance Sheet *(item 4)*

Refer to the attached statement

5. Statement of Cash Flows *(item 5)*

Refer to the attached statement

6. Dividends *(item 6)*

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2006	4 April 2006	\$3,973,546
Final dividend – year ended 30 June 2006	13 October 2006	\$7,077,309

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	50 cents	100%	n/a
Previous year	40 cents	100%	n/a

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	11,051	8,764
Preference securities <i>(each class separately)</i>	n/a	n/a
Other equity instruments <i>(each class separately)</i>	n/a	n/a
Total	11,051	8,764

7. Details of dividend or distribution reinvestment plans in operation are described below (item 7):

Not applicable

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

8. Statement of retained earnings (item 8)

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of year	8,937	4,575	6,772	1,821
Prior year adjustment		(289)		
Net profit attributable to members of the parent entity	14,399	12,605	8,447	12,905
Total available for appropriation	23,336	16,891	15,219	14,726
Dividends paid	(9,930)	(7,954)	(9,930)	(7,954)
Balance at end of year	13,406	8,937	5,289	6,772

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$2.12	\$1.59

10. Details of associates and joint venture entities

Name of associate or joint venture entity	%Securities held
Orion Asset Management Limited	41.90
Confluence Asset Management Limited	35.00

Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2006 \$	2005 \$
Profit (loss) from ordinary activities before tax	5,971,301	2,536,247
Income tax on ordinary activities	(1,796,539)	(674,303)
Net profit (loss) from ordinary activities after tax	4,174,762	1,861,944
Adjustments		
Share of net profit (loss) of associates and joint venture entities	4,174,762	1,861,944

12. Significant information relating to the entity's financial performance and financial position.

Refer note on results commentary

13. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian accounting standards (item 13).**14. Commentary on the results for the period.**

Include significant information needed by an investor to make an informed assessment of the entity's activities and results, including discussion of the following:

Item 14.1 Earnings per security and nature of any dilution aspects

Item 14.2 Returns to shareholders including distributions and buy backs

Item 14.3 Significant features of operating performance

Item 14.4 Results of segments that are significant to understanding the business as a whole

Item 14.5 A discussion of trends in performance

Item 14.6 Any other factors that have affected results in the period or likely to affect future results, including those where the effect could not be quantified

15. Audit of the financial report

- The financial report has been audited and an unqualified opinion has been issued

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Leah Watson

Company Secretary

4 September, 2006

Treasury Group Ltd

Annual Report 2006

Corporate Information

ABN 39 006 708 792

Directors

M. Fitzpatrick (Chairman)
D. Cooper (Managing Director, appointed 8 August 2005)
R. Green
P. Kennedy
D. Sharp (appointed 11 July 2005)

Chief Financial Officer

Joseph Ferragina (appointed 4 October 2005)

Company Secretary

Leah Watson (appointed 21 February 2006)

Registered Office

Level 9
470 Collins Street
Melbourne, Victoria, 3000
Phone (03) 9671 - 3667
Facsimile (03) 9661 - 8499

Sydney Office – Head Office

Level 5
50 Margaret Street
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

www.treasury-group.com

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Directors' Report

Your Directors submit their report for the year ended 30 June 2006.

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, B (Oxon) Honours

M. 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, a commissioner 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 M. 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.

D. Cooper joined the board on 8 August 2005, having been the Chief Executive Officer (CEO) of the company since July 2004. Mr D. 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 where he built its institutional business from virtually scratch to over \$5 billion at the time of his departure from Perpetual.

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

R. Green joined the board on 14 November 2001 and has over 29 years experience in the financial services industry. Prior to joining Treasury Group Limited Mr R. Green was the Chief Executive Officer (CEO) of Perpetual Investments Ltd with total funds under management of \$15 billion. Mr. Green is also a member of the Remuneration Committee.

M. Green was also a director of Premium Investors Limited (a listed investment company) during the year ended 30 June, 2006.

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

P. Kennedy, joined the board on 4 June 2003, is a senior partner with Madgwick lawyers and has over 30 years experience in commercial law. He is also 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 Chariman of the following other listed companies:

- Australian Value Funds Management Limited (current)

Donald Sharp (Non Executive Director), B. Bus(Accounting), CPA, CFP, ICD

D. Sharp joined the board on 11 July 2005. Mr D. Sharp has enjoyed a successful career in the financial services industry encompassing stockbroking, financial planning, funds management and accounting. Mr D. Sharp was co-founder of one of Australia's leading financial planning groups, Bridges Personal Investment Services. The retail customers of the Group are introduced by financial planners and his experience broadens the skill set of the Board in this important area.

Mr D. Sharp has been non-executive Chairman of Investors Mutual Limited since 2000. He is also non executive Chairman of Global Value Investors Limited.

Mr D. Sharp is also non-executive Chairman of Premium Investors Limited a listed investment company.

Lee Darion Peter IaFrate, B.Bus (Acc) Grad. Dip of App. Fin. And Inv., FCPA, FSIA (resigned 2 June 2006)

Directors' Report continued

COMPANY SECRETARY

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

L. Watson is a Chartered Accountant, and commenced with Treasury Group Limited in November 2003. Mrs Watson has nine 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 an affiliate 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 (appointed 8 August 2005)	433,000	800,000
R. Green	1,465,000	-
P.R. Kennedy	-	-
M. Fitzpatrick	2,651,500	-
D. Sharp (appointed 11 July 2005)	14,325	-

EARNINGS PER SHARE

	Cents
Basic earnings per share	65.39
Diluted earnings per share	63.66

DIVIDENDS

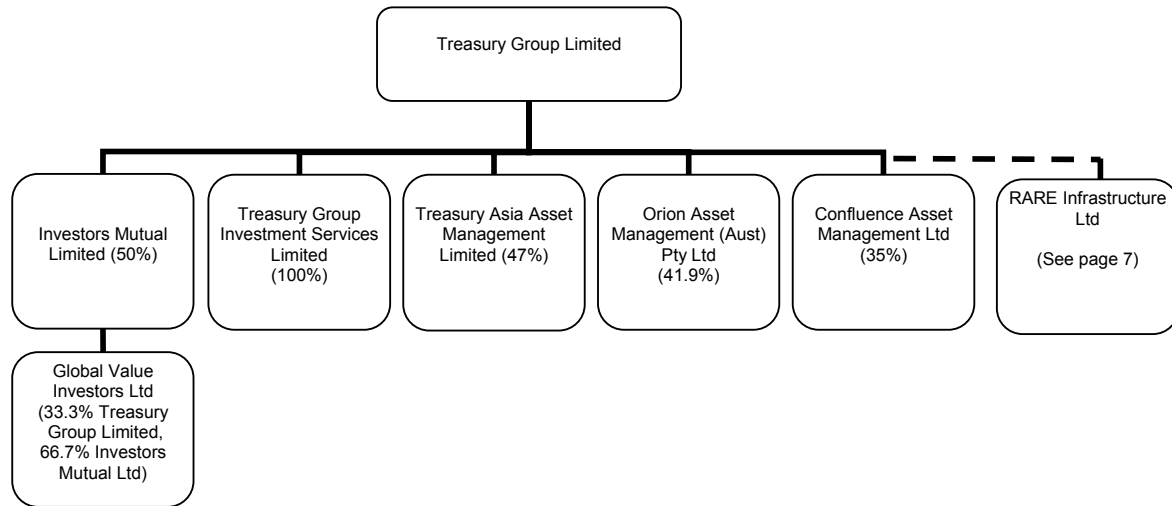
	Cents	\$
<i>Final dividend recommended:</i>		
on ordinary shares (fully franked)	32.0	<u>7,077,309</u>
Dividend paid in the year:		
<i>Interim for the year</i>		
on ordinary shares (fully franked)	18.0	<u>3,973,546</u>
<i>Final for 2005 shown as recommended in the 2005 report</i>		
on ordinary shares (fully franked)	27.0	<u>5,956,810</u>

Directors' Report continued

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. The financial interest in Orion increased from 29.9% to 35.9% on 1 July 2005. Effective 23 December 2005 the financial interest increased further to 41.9%.
- (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 new business. GVI is therefore a controlled entity. Its financial results are included within the consolidated figures.
- (iii) Treasury Asia Asset Management Ltd (“TAAM”) is a controlled entity that commenced operations on 12 July 2005. TAAM is effectively owned 47%, which will be diluted to an effective 40% after shares have been allocated to key staff members of the new business.

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 63 full time equivalent employees as at 30 June 2006 (2005: 49 employees). The consolidated group includes Treasury Group Limited, Treasury Group Investment Services Limited, Investors Mutual Limited, Treasury Asia Asset Management, Global Value Investors and Armytage private Limited (sold 11 July 2006).

Directors' Report continued

REVIEW AND RESULTS OF OPERATIONS

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. As at 30 June 2005, the consolidated entity held 29.9% of the issued capital of its parent company and has equity accounted for this investment. On 1 July 2005 the consolidated entity exercised an option to increase its investment in Orion Asset Management (Aust) Pty Ltd to 35.9% and on 23 December 2005 a further option was exercised increasing its investment to 41.9%.

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 loan at this stage the results of the company are not included in the consolidated financial statements.

Funds Management, Administration & Compliance Services

Treasury Group Investment Services Ltd, a wholly-owned controlled entity of Treasury Group Limited, was appointed the manager of a listed investment company, Premium Investors Limited, which received \$172.1 million in subscriptions in 2003/04 and a further \$30m from options exercised during 2004/05. 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 \$14,399,337 (2005 (restated to comply with AIFRS): \$12,604,864).

Earnings Per Share

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

	2006	2005	2004	2003	2002
Basic earnings per share (cents)	65.4	60.4	37.2	8.0	2.2
Diluted earnings per share (cents)	63.7	58.1	31.8	6.0	1.7

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 \$1,391,467 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 26.

Directors' Report continued

REVIEW OF FINANCIAL CONDITIONS (CONT.)

Cash Flow from Operations

Net cash flow from operating activities increased by \$3.15m to \$23.49m or by 15% 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.

During the year, the Group acquired a further 12% in Orion for \$4.2 million, The Group also invested \$2 million in managed investments schemes managed by a Group company.

The exercise of options resulted in shareholder funds increasing by \$1.39 million. During the year, Treasury Group Ltd paid \$9.93 million in dividends. Consolidated cash as at 30 June 2006 stood at \$20.46 million.

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;
- The establishment of an investment review panel with the express purpose of examining new asset management opportunities for the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 12 July 2005, Treasury Group Limited set up Treasury Asia Asset Management Limited (TAAM), a new boutique fund management business, in partnership with Mr Peter Sartori. TAAM will focus on Asian equities. Treasury Group Limited has a 47% stake in the company with the remainder held by TAAM staff.

The Company exercised a call option and acquired a further 6% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$1,400,000 on 1 July 2005 and a call option for a further 6% for cash consideration of \$2,800,000 on 23 December 2005.

Except for the matters disclosed above, there have been no other significant changes in the state of affairs of the Company.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 4 September 2006, the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is \$7.077 million, which represents a fully franked dividend of 32 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements.

On 18 August 2006, the Group increased the loan facility to TAAM by \$500,000, taking the total facility to \$1.5 million.

On 11 July 2006 Treasury Group Limited sold its 50% interest in boutique fund manager, Armytage private Limited for \$3m. The shares were sold to AVFM Ltd, a company associated with Mr L. IaFrate and Mr P. Kennedy.

On 3 July 2006 Treasury Group Limited issued 150,000 options with an exercise price of \$16.00 and a vesting condition of RARE achieving FUM of \$400 million as part of its investment in RARE Infrastructure Limited.

Except the matters disclosed above, there have been no other significant events which have occurred subsequent to 30 June 2006.

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.

Directors' Report continued

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 2,535,001 unissued ordinary shares under options (2,385,001 at reporting date). Further details of the options outstanding to employees are included in Note 21 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 191,666 fully paid ordinary shares of Treasury Group Limited at a weighted average exercise price of \$0.65. Since the end of the financial year, no 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;
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.

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 senior manager remuneration is separate and distinct.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (CONT.)

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 17 November 2004 when shareholders approved an aggregate remuneration of \$350,000 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 Ltd.

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.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (CONT.)

Variable remuneration – Short Term Incentive (STI) (Cont.)

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

Directors	Annual Emoluments		Long Term Emoluments		Total
	Salary and fees	Bonus	Super-annuation	Share based payments	
	\$	\$	\$	\$	\$
M Fitzpatrick Chairman (appointed 5 October 2004)	60,206	-	4,903	-	65,109
D Cooper Managing Director (appointed 8 August 2005)	344,037	200,000	30,963	121,180	696,180
P. Kennedy Non Executive Director	65,000	-	-	-	65,000
R. Green Executive Director	144,160	-	8,340	-	152,500
D Sharp Non Executive Director (appointed 11 July 2005)	94,731*	62,504*^	-	-	157,235
L.D.P. IaFrate Non Executive Director (resigned 2 June 2006)	114,473*	60,000*	24,339*	88,000*	298,535

* Remuneration includes remuneration relating to Group entities other than Treasury Group Ltd.

^ Relates to 2004/05 financial year.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENT (CONT.)

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

Executives – Name and Position	Annual Emoluments			Long term Emoluments (in accordance with LTI)			Termination Benefits	Total
	Base Fee	Bonus	Other	Granted @	Amortised Cost	Super-annuation		
	\$	\$	\$	Number	\$	\$		
J. Ferragina Treasury Group Ltd C.F.O. (appointed 4 October 2005)	154,563	66,000	-	150,000	74,733	9,027	-	304,323
C. Byrne Investors Mutual Ltd C.O.O.	232,861	157,000	-	-	-	12,139	-	402,000
E. Jurgeleit Treasury Group Ltd Group Manager – Risk and New Developments	193,063	63,642	-	90,000	44,780	12,139	-	313,642
C Feldmanis Treasury Group Investment Services Ltd Managing Director (appointed 17 October 2005)	132,466	60,000	-	90,000	44,780	8,560	-	245,806
R. Kipp Treasury Group Ltd C.F.O. (resigned 7 October 2005)	59,465	-	-	-	34,349	5,352	331,981	431,147

Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

* 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. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e., forfeitures).

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. See below for further details. Further details in relation to the issuance and value of options are contained in Note 21 to the financial report.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENT (CONT)

EMPLOYMENT CONTRACTS

The Managing Director, Mr Cooper, is employed under contract. The current employment contract commenced on 16 July 2004 and terminated on 15 July 2006. The Company has entered into a new employment contract with Mr Cooper. Under the terms of the present contract, a base salary of \$425,000 (gross) will be paid effective from 16 July, 2006. Additional terms 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
R. Green	14	14	-	-	2	2	-	-
D. Sharp	14	11	3	3	-	-	-	-
P. Kennedy	14	13	4	4	2	2	-	-
M. Fitzpatrick	14	12	4	4	2	2	-	-
D. Cooper	14	14	-	-	-	-	-	-
L.D.P. IaFrate	13	12	-	-	-	-	-	-

Directors' Report continued

Committee membership

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

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

Audit

P. Kennedy (c)
M. Fitzpatrick
D. Sharp (appointed 29 August 2005)

Remuneration

P. Kennedy (c)
R. Green
M. Fitzpatrick

Nomination

D. Sharp (c) (appointed 8 May 2006)
M. Fitzpatrick (appointed 8 May 2006)
R. Green (resigned 8 May 2006)
L.D.P. IaFrate (resigned 8 May 2006)

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 \$28,800 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 15.

Signed in accordance with a resolution of the Directors.

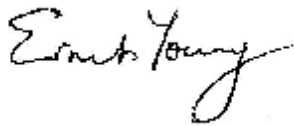


M Fitzpatrick
Chairman

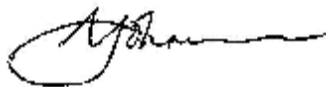
Sydney, 4 September 2006

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 2006, 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



A.J (Tony) Johnson
Partner
4 September 2006

Corporate Governance Statement

The Company is committed to implementing 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*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size of the Company and the view of the Board in optimizing shareholder returns.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1 Directors' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by CEO and CFO	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Attestations by CEO and CFO	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1.3
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2.4
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5 Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1 Company Code of Conduct	3

Corporate Governance Statement continued

1. Board of Directors

1.1 *Role of the Board*

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and 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 has the final responsibility for the successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Directors Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles. The Directors Code of Conduct can be viewed in the corporate governance section on the Company's website.

1.2 *Composition of the Board*

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated on page 4 along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Company does not have a majority of independent Directors as recommended by the ASX Good Corporate Governance Guidelines 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 Sharp are Non-Executive Directors. In addition to being Non-Executive Directors, Mr Kennedy and Mr Sharp also meet the following criteria for independence adopted by the Company.

An Independent Director:

1. is a Non-Executive Director;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member. Or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other Group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of 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 role of Managing Director performed by David Cooper is independent of the role of Chairman undertaken by Mr Fitzpatrick.

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.

Corporate Governance Statement continued

1. Board of Directors (Cont.)

1.3 *Responsibilities of the Board*

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

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.

1.4 *Board Policies*

1.4.1 *Conflicts of Interest*

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act 2001*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 *Commitments*

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

Corporate Governance Statement continued

1. Board of Directors (Cont.)

1.4 Board Policies (cont.)

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous 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.

1.4.5 Education and Induction

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. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- Guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

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.

1.4.6 Independent Professional Advice

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.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act 2001* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

Corporate Governance Statement continued

1. Board of Directors (Cont.)

1.4 Board Policies (cont.)

1.4.8 Shareholder Communication

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.

1.4.9 Trading in Company Shares

The Company has a Securities Trading Policy under which Directors and employees and their associates may only trade in the Company's securities during a specific period commencing immediately after each of the following ("trading window"):

- the release by the Company of its half-yearly results to the ASX;
- the release by the Company of its annual results to the ASX; and
- the close of the Annual General Meeting of the Company.

The trading window for Category 1 persons (employees and officers of the Company, Treasury Group Investment Services Ltd and any other person who the Board deems to be a Category 1 person), is twenty business days, whilst the trading window for Category 2 persons (all other group company representatives other than Category 1 persons), is forty business days.

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX. The Securities Trading Policy can be viewed in the Corporate Governance section of the Company's website.

1.4.10 Performance Review/Evaluation

The Board Charter provides for the undertaking of annual board 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.

1.4.11 Attestations by CEO and CFO

In accordance with the Board's policy, the CEO and the CFO made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. Board Committees

2.1 Audit Committee

The Audit Committee comprised of independent Directors was formed by resolution of the Board on 4 May 2004. Prior to this date all members of the Board assumed the responsibilities of Audit Committee. Below is a summary of the role, composition and responsibilities of the Audit Committee. Further details are contained in the Audit Committee's Charter, a copy of which is available for review in the corporate governance section of the Company's website.

Corporate Governance Statement continued

2. Board Committees (cont.)

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

2.1.2 Composition

During the year the Audit Committee consisted of three members and is in accordance with the minimum suggested by the ASX principles of good corporate governance and best practice recommendations. 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. 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. Mr D Sharp joined the Audit Committee from 29 August 2005. The details of the member's qualifications may be found in their Director Profiles on page 4.

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.

2.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor each year, reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

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

2.2.1 Role

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.

2.2.2 Composition

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.

2.2.3 Responsibilities

The responsibilities of the Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations to the Board on any proposed changes and undertaking an annual review of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving these goals.

2.2.4 Remuneration Policy

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

Corporate Governance Statement continued

2. Board Committees (cont.)

2.2.4 Remuneration Policy (Cont.)

2.2.4.1 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 Executive Option;
- 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.

2.2.4.2 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 equity schemes of the Company.

Non-Executive Directors are entitled to statutory superannuation.

2.2.4.3 Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors is approved by shareholders and is currently \$350,000. The remuneration received by all of the Company's Non Executive Directors is detailed in the Directors Report and totals \$264,486 (including superannuation) paid directly by Treasury Group Ltd.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 Nomination Committee

The Nomination Committee was formed by resolution of the Board on the 4th May 2004. Prior to this date all Board members were involved in this matter and whilst the ASX principles of good corporate governance and best practice recommendations suggest a minimum of three members, the Company believes that the present committee structure is adequate to perform its duties.

2.3.1 Role

The role of the Nomination Committee is 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.

Corporate Governance Statement continued

2. Board Committees (cont.)

2.3.2 Composition

The members of the Nomination Committee are:

- Mr D. Sharp (Chairman);
- Mr M. Fitzpatrick

There were no meetings held by the Nomination Committee during the year.

2.3.3 Responsibilities

The responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his direct reports and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

2.3.4 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the financial services industry, appropriate to the Company's market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills; and
- CEO-level business experience.

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

Corporate Governance Statement continued

3. Company Code Of Conduct (cont.)

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community.

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
CONTINUING OPERATIONS					
REVENUES	3 (a)	51,630,021	44,499,607	11,588,443	14,614,266
Salaries and employee benefits expenses	3 (b)	(11,561,768)	(7,824,181)	(2,414,512)	(1,663,530)
Fund management and administration fees		(3,431,223)	(2,779,458)	-	(3,000)
Other expenses	3 (b)	(5,955,806)	(3,822,470)	(1,273,573)	(872,015)
Share of net profits of associates accounted for using the equity method	11 (a) (iii)	4,174,762	1,861,944	-	-
PROFIT BEFORE INCOME TAX EXPENSE		34,855,986	31,935,442	7,900,358	12,075,721
Income tax (expense) / income	5	(9,239,536)	(8,953,275)	546,335	829,485
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		25,616,450	22,982,167	8,446,693	12,905,206
DISCONTINUED OPERATIONS					
Profit after tax from discontinued operations	4	534,788	811,507	-	-
NET PROFIT FOR THE YEAR		26,151,238	23,793,674	8,446,693	12,905,206
Profit attributable to minority interest		(11,751,901)	(11,188,810)	-	-
PROFIT ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED	16 (d)	14,399,337	12,604,864	8,446,693	12,905,206
Earnings per share (cents per share)					
• basic for profit for the year attributable to ordinary equity holders of the parent	20	65.39	60.37		
• basic for profit from continuing operations attributable to ordinary equity holders of the parent	20	64.17	58.43		
• diluted for profit for the year attributable to ordinary equity holders of the parent	20	63.66	58.12		
• diluted for profit from continuing operations for the year attributable to ordinary equity holders of the parent	20	62.48	56.25		
Franked dividends per share (cents per share)	6	50.00	40.00		

Balance Sheet

AS AT 30 JUNE 2006	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7(a)	19,437,188	22,254,205	9,287,866	13,558,463
Trade and other receivables	8	14,559,245	16,362,406	2,594,209	8,015,020
Available-for-sale investments	9	8,938,324	-	-	-
Other financial assets	14	322,648	5,977,008	175,073	56,929
Assets classified as held for sale	4	2,014,448	-	-	-
TOTAL CURRENT ASSETS		45,271,853	44,593,619	12,057,148	21,630,412
NON-CURRENT ASSETS					
Available-for-sale investments	9	550,284	-	401,535	-
Other receivables	10	-	216,366	1,750,227	1,087,984
Deferred tax assets	5	2,048,238	429,744	776,279	440,495
Investments in associates	11	7,868,862	2,295,792	-	-
Plant and equipment	12	858,948	958,324	219,016	293,653
Goodwill	13	2,409,239	1,646,139	-	-
Other financial assets	14	-	478,785	15,722,404	6,141,745
TOTAL NON-CURRENT ASSETS		13,735,571	6,025,150	18,869,461	7,963,877
TOTAL ASSETS		59,007,424	50,618,769	30,926,609	29,594,289
CURRENT LIABILITIES					
Trade and other payables	15	8,090,348	12,172,634	641,208	589,555
Income tax payable	5	3,178,033	3,979,988	-	-
Liabilities directly associated with assets classified as held for sale	4	561,861	-	-	-
TOTAL CURRENT LIABILITIES		11,830,242	16,152,622	641,208	589,555
NON-CURRENT LIABILITIES					
Other payables		44,582	61,072	44,582	61,072
Deferred tax liabilities	5	361,290	-	-	-
TOTAL NON-CURRENT LIABILITIES		405,872	61,072	44,582	61,072
TOTAL LIABILITIES		12,236,114	16,213,694	685,790	650,627
NET ASSETS		46,771,310	34,405,075	30,240,819	28,943,662
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	16 (a)	23,404,024	22,012,557	23,404,024	22,012,557
Reserves	16 (e)	2,412,370	159,021	1,548,374	159,021
Retained profits	16 (d)	13,405,893	8,936,912	5,288,421	6,772,084
Parent interests		39,222,287	31,108,490	30,240,819	28,943,662
Minority interests	16 (f)	7,549,023	3,296,585	-	-
TOTAL EQUITY		46,771,310	34,405,075	30,240,819	28,943,662

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2006	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
Equity balance at the start of the year		34,405,075	22,293,431	28,943,662	14,896,388
Prior year adjustment	16 (d)	-	(289,452)	-	-
RESTATED EQUITY BALANCE AT THE BEGINNING OF THE YEAR		34,405,075	22,003,979	28,943,662	14,896,388
Adjustment on adoption of AASB 132 and AASB 139, net of tax	27	305,241	-	-	-
Share option cost	18, 16(e)	626,253	159,021	505,776	95,051
Net gain on available-for sale financial assets, net of tax		558,754	-	-	-
NET EXPENSES RECOGNISED IN EQUITY		1,490,248	159,021	505,776	95,051
PROFIT FOR THE YEAR		26,151,238	23,793,674	8,446,693	12,905,206
TOTAL RECOGNISED INCOME AND EXPENSES FOR THE YEAR		27,641,486	23,952,695	8,952,469	13,000,257
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity	16 (b)	1,391,467	8,936,934	1,391,467	8,936,934
Other share based contributions	16 (e)	763,100	-	883,577	63,970
Dividends provided for or paid	6 (b)	(9,930,356)	(7,953,887)	(9,930,356)	(7,953,887)
Dividends paid to minority interests in subsidiaries		(7,499,912)	(12,534,646)	-	-
Minority interest on acquisition of subsidiary		450	-	-	-
TOTAL EQUITY AT THE END OF THE YEAR		46,771,310	34,405,075	30,240,819	28,943,662
Total recognised income and expense for the financial year attributable to:					
Members of Treasury Group Ltd		14,399,337	12,604,864	8,446,693	12,905,206
Minority interest		11,751,901	11,188,810	-	-
		26,151,238	23,793,674	8,446,693	12,905,206

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		56,059,166	45,501,015	1,218,165	333,626
Payments to suppliers and employees		(25,425,533)	(16,589,466)	(3,112,313)	(2,185,089)
Dividends received		3,525,308	-	13,841,752	9,060,235
Interest received		1,220,020	1,125,287	848,663	559,546
Income tax paid / received		(11,890,276)	(9,696,236)	5,723	(8,950)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7(b)	23,488,685	20,340,600	12,801,990	7,759,368
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		(371,960)	(629,742)	(21,336)	(148,261)
Proceeds from disposal of plant and equipment		40,515	-	-	-
Proceeds from disposal of available-for-sale investments		39,106	-	39,106	-
Purchase of available-for-sale investments		(2,000,000)	-	-	-
Purchase of other investments		(137,470)	(3,119,478)	(202,020)	-
Payment for security deposits		(154,750)	(89,350)	(154,750)	(1,378)
Repayment from associates		2,043,730	350,000	2,043,730	350,000
Advances to controlled entities		-	-	(1,313,707)	(400,000)
Injection of capital in controlled entity		-	-	(4,900,393)	(450)
Payment for investment in associated entities		(4,200,000)	(100,000)	(4,200,000)	(100,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(4,740,829)	(3,588,570)	(8,709,370)	(300,089)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		1,391,467	8,936,934	1,567,139	8,936,934
Payment of finance lease		-	(16,491)	-	(16,491)
Equity dividends paid		(21,930,137)	(17,013,653)	(9,930,356)	(7,953,888)
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		(20,538,670)	(8,093,210)	(8,363,217)	966,555
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS					
		(1,790,814)	8,658,820	(4,270,597)	8,425,834
Cash and cash equivalents at beginning of year		22,254,205	13,595,385	13,558,463	5,132,629
CASH AND CASH EQUIVALENTS AT END OF YEAR	7(a)	20,463,391	22,254,205	9,287,866	13,558,463

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Treasury Group Limited (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 4 September 2006.

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

(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). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first annual financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 27.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006.

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
	UIG 4: <i>Determining whether an Arrangement contains a Lease</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments Disclosure and Presentation</i> ; AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> ; and AASB 1038 <i>Life Insurance Contracts</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Statement of compliance (Cont.)

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2005-9	AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> , and AASB 1038: <i>Life Insurance Contracts</i> , 139: <i>Financial Instruments: Recognition and Measurement</i> and AASB 132: <i>Financial Instruments Disclosure and Presentation</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> , and AASB 1038: <i>Life Insurance Contracts</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2007	1 July 2007
2006-1	AASB 121: <i>The Effects of Change in Foreign Currency Rates</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2006	1 July 2006
New Standard	AASB 7: <i>Financial Instruments: Disclosures</i>	The impact of the standard on the accounting policies has not been assessed at reporting date.	1 January 2007	1 July 2007

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

(c) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets within the next annual reporting period are:

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 is discussed in Note 13.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees with reference to the fair value of the equity instruments at the date at which they are granted using the Binomial model taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 18.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) 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

Revenue is recognised when the right to be compensated for the services has been established. The Group is entitled to this revenue at the end of the month in which the service is provided.

Interest income

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policy applicable for the year ended 30 June 2006

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.

Accounting policy applicable for the year ended 30 June 2005

Revenue is recognised when the right to receive the interest payment has been established.

Dividends

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

Share trading

Revenue is recognised when control of the shares has passed to the buyer.

(e) Basis of consolidation

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

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 intercompany 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 represent the portion of profit or loss and net assets in Investor Mutual Ltd, Global Value Investors Ltd Treasury Asia Asset Management Ltd, and Armytage Ltd not held by the Group and are presented separately in the Income Statement and equity in the consolidated Balance Sheet.

(f) 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.

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ended 30 June 2006 and 30 June 2005.

Accounting policy applicable for the year ended 30 June 2006

Trade receivables, which are generally 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

Accounting policy applicable for the year ended 30 June 2005

Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts were written-off as incurred.

(h) Derecognition of financial assets and financial liabilities

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

(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 or cancelled or expires.

Accounting policy applicable for the year ended 30 June 2005

(i) Financial assets

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

(ii) Financial liabilities

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Impairment of financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

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

(i) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(ii) Available-for-sale investments

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 profit or loss, 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 profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Accounting policy applicable for the year ended 30 June 2005

For current financial assets, refer to note 2(g) and note 2(p) for the impairment accounting policy. For non-current financial assets, refer to note 2(p) for the impairment accounting policy.

(j) 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 consolidated Income Statement reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associates' equity, the Group recognises its share of any changes and discloses this in the consolidated Statement of Changes in Equity.

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.

Treasury Group Limited carries the investment in associates at cost less impairment, if any.

(k) Plant and equipment

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

Major depreciation methods and periods are:

2006 & 2005

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.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(k) Plant and equipment (Cont.)

(i) Impairment (Cont.)

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Income Statement in the cost of sale line item.

(ii) Derecognition and 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.

(l) Goodwill

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.

(m) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ended 30 June 2005 and 30 June 2006.

Accounting policy applicable for the year ended 30 June 2006

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit and loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

The Group did not classify any investments as fair value through profit or loss.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Investments and other financial assets (Cont.)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in the classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired as well as through the amortisation process.

The Group did not classify any investments as held-to-maturity investments.

(iii) 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.

(iv) 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 preceding 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.

Accounting policies applicable for the year ended 30 June 2005

Non-current investments are carried at the lower of cost and recoverable amount.

All current investments are carried at the lower of cost and market value.

(n) Income tax

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:

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(n) Income tax (Cont.)

- 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 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.

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.

(o) 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.

(p) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(q) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adoption AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ended 30 June 2005 and 30 June 2006.

Accounting policy applicable for the year ended 30 June 2006

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

Accounting policy applicable for the year ended 30 June 2005

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

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

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

(s) 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.

(t) 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.

(u) 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.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction in lease liability so as to achieve a constant rate of interest on the remaining balance or the liability. Finance charges are recognised as an expense in profit or loss.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(u) Leases (Cont.)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

As at balance date no finance leases were in place.

(v) 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.

(w) 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 two 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.

The cost of these equity-settled transactions with employees 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.

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.

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
3. REVENUE AND EXPENSES				
(a) Revenues from continuing operations				
Fee income				
Fund management fees	47,447,543	40,387,803	-	-
Fund performance fees	2,236,582	2,144,285	-	-
Service fees				
- wholly-owned subsidiaries	-	-	305,538	476,790
- partly-owned subsidiaries	-	-	40,000	80,000
- associates	226,348	167,994	-	-
- other related entities	296,826	404,865	-	-
Total fee income	50,207,299	43,104,947	345,538	556,790
Dividends and distributions				
- subsidiaries	-	-	7,500,088	12,535,355
- associates	-	-	2,801,692	721,115
Total dividends and distributions	-	-	10,301,780	13,256,470
Interest				
Related parties				
- wholly-owned subsidiaries	-	-	41,601	38,211
- subsidiaries	-	-	92,664	7,902
- associates	81,485	182,277	81,485	182,277
Other persons/corporations	1,210,241	1,085,436	715,934	572,607
Total interest	1,291,726	1,267,713	931,684	800,997
Other revenue	130,996	126,947	9,441	9
Total revenues	51,630,021	44,499,607	11,588,443	14,614,266

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
3. REVENUE AND EXPENSES (Cont.)				
(b) Expenses from continuing operations				
Salaries and employee benefits				
Salaries and employee benefits	10,935,515	7,665,160	1,908,736	1,568,479
Share-based payment expense arising from equity-settled share-based payment transactions	626,253	159,021	505,776	95,051
	11,561,768	7,824,181	2,414,512	1,663,530
Depreciation				
Depreciation of non-current assets				
Furniture & fittings	13,424	8,392	3,608	4,081
Office equipment	194,139	129,183	69,745	42,771
Leasehold improvements	141,734	77,309	19,864	19,707
Total depreciation of non-current assets	349,297	214,884	93,217	66,559
Other expenses				
Accounting & audit fees	352,605	229,625	98,900	63,150
Operating lease rental – minimum lease payments	355,036	382,999	67,625	76,075
Marketing & stationery expenses	1,118,557	697,038	41,323	27,883
Travel & accommodation costs	802,414	453,262	94,908	72,172
Communication costs	192,542	147,417	28,242	24,654
Payroll tax	599,184	350,270	128,447	75,740
Legal & compliance fees	301,960	142,738	17,753	2,922
Consulting fee	227,999	132,901	72,562	42,414
Insurance charges	325,009	290,246	65,217	48,036
Directors' fees (non-executives)	315,270	196,211	255,617	155,318
IT servicing & consulting charges	163,142	64,610	29,055	15,414
Training expenses	69,218	66,901	18,991	28,297
Share registry expenses	50,772	45,058	50,771	45,058
ASX fees	41,628	63,175	41,627	63,175
Subscriptions	398,003	70,595	13,666	12,412
Loss on disposal of plant and equipment	41,369	5,197	-	1,284
Net loss on disposal of available-for-sale investment	61,495	-	61,494	-
Other expenses	190,306	269,343	94,158	51,452
	5,606,509	3,607,586	1,180,356	805,456
Total other expenses	5,955,806	3,822,470	1,273,573	872,015

Notes to the Financial Statements

30 JUNE 2006

Note

CONSOLIDATED

2006

2005

\$

\$

3. REVENUE AND EXPENSES (Cont.)

(c) Revenues from discontinuing operations

Fee income

Fund management fees

314,432

847,957

Performance fees

1,318,093

1,142,438

Management fees

1,632,525

1,990,395

Total fee income

Interest

Other persons/corporations

62,133

39,852

Total interest

62,133

39,852

Other revenue

Commission received

-

123,790

Realised gain on disposal of investment

155,000

-

Other revenue

7,495

-

Total other revenue

162,495

123,790

Total revenues

4

1,857,153

2,154,037

(d) Expenses from discontinuing operations

Salaries and employee benefit expenses

655,577

634,951

Fund management and administration fees

82,346

23,200

Depreciation of non-current assets

Furniture & fittings

629

3,879

Office equipment

6,434

842

Leasehold improvements

3,212

3,212

Total depreciation of non-current assets

10,275

7,933

Other expenses

Accounting & audit fees

20,289

13,800

Operating lease rental – minimum lease payments

40,274

34,558

Marketing & stationery expenses

11,688

7,722

Travel & accommodation costs

8,821

7,620

Communication costs

13,880

10,062

Payroll tax

49,975

28,518

Legal & compliance fees

41,023

10,005

Insurance charges

42,695

48,872

Subscriptions

13,147

2,369

Other expenses

59,599

40,276

Total other expenses

301,391

203,802

Total expenses

4

1,049,589

869,886

Notes to the Financial Statements

30 JUNE 2006

4. 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 23.

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

	Notes	CONSOLIDATED	
		2006	2005
		\$	\$
Revenue	3 (c)	1,857,153	2,154,037
Expenses	3 (d)	(1,049,589)	(869,886)
Profit before tax from discontinued operations		807,564	1,284,151
Income tax expense		(272,776)	(472,644)
Profit from discontinued operations		534,788	811,507

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

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
Assets classified as held for sale	2,014,448

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	1,452,587

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

Earnings per share (cents per share):

- Basic from discontinued operations	1.22	1.94
- Diluted from discontinued operations	1.18	1.87

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. INCOME TAX				
The major components of income tax expense are:				
Income Statement				
<i>Current income tax</i>				
Current income tax (charge) / benefit	(9,221,392)	(8,942,448)	458,819	473,299
Adjustments in respect of current income tax charge of previous years	(18,144)	(10,827)	9,072	356,186
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	-	-	78,444	-
Income tax expenses reported in the Income Statement	(9,239,536)	(8,953,275)	546,335	829,485
Statement of changes in equity				
<i>Deferred income tax related to income charged or credited directly to equity</i>				
Unrealised gain on available-for-sale investments	361,290	-	-	-
Income tax expense reported in equity	361,290	-	-	-
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	34,855,986	31,935,442	7,900,358	12,075,721
Accounting profit before tax from discontinuing operations	807,564	1,284,151	-	-
Accounting profit before income tax:	35,663,550	33,219,593	7,900,358	12,075,721
At the Group's statutory income tax rate of 30% (2005: 30%)	10,699,065	9,965,878	2,370,107	3,622,716
Share of net profit of associates	(1,252,429)	(558,583)	-	-
Share-based payments	151,733	47,706	151,733	28,514
Tax offset for franked dividends	-	-	(3,090,534)	(3,976,941)
Tax losses not carried forward as future income tax benefits	-	116,492	-	-
Recoupment of losses not previously recognised	(116,492)	(167,723)	-	(523,907)
Expenditure not allowable for income tax purposes	8,244	11,641	4,216	3,005
Other	22,191	10,508	18,143	17,128
	9,512,312	9,425,919	(546,335)	(829,485)
Income tax expense reported in the consolidated Income Statement	9,239,536	8,953,275	(546,335)	(829,485)
Income tax attributable to discontinued operations	272,776	472,644	-	-
	9,512,312	9,425,919	(546,335)	(829,485)
Current income tax payable				
Current income tax payable	3,178,033	3,979,988	-	-

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. INCOME TAX (Cont.)				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Consolidated</i>				
<u>Deferred tax assets</u>				
Future income tax benefits	2,048,238	429,744	776,279	440,495
	2,048,238	429,744	776,279	440,495
<u>Deferred tax liabilities</u>				
Revaluations of available-for-sale investments to fair value	231,102	-	-	-
Application of AASB 132 and 139	130,188	-	-	-
	361,290	-	-	-
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 \$2,176,122 (2005: \$1,214,042) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2006, there is no recognised or unrecognised deferred income tax liability (2005: \$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability for additional taxation should such amounts be remitted.

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.

In preparing the accounts for Treasury Group Limited for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:

	TREASURY GROUP LIMITED	
	2006	2005
	\$	\$
Total decrease to tax expense of Treasury Group Limited	(546,335)	(356,186)
Total increase to inter-company assets of Treasury Group Limited	546,335	356,186

Notes to the Financial Statements

30 JUNE 2006

TREASURY GROUP LIMITED

2006	2005
\$	\$

6. DIVIDENDS PAID AND PROPOSED

(a) Dividends proposed and not recognised as a liability*

Final fully franked dividend 32 cents per share (2005: 27 cents per share)	7,077,309	5,943,391
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(b) Dividends paid during the year

Current year interim

Fully franked dividend (18 cents per share) (2005: 13 cents per share)	3,973,546	2,820,990
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Previous year final

Fully franked dividend (27 cents per share) (2005: 25 cents per share)	5,956,810	5,132,897
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Total paid during the year	9,930,356	7,953,887
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* Calculation based on the ordinary shares on issue as at 30 June 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% (2005: 30%)	4,324,523	2,648,211
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	720,546	2,237,677
	5,045,069	4,885,888

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	(3,033,132)	(2,552,919)
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Franking credits carried forward after payment of final dividend	2,011,937	2,332,969
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The tax rate at which paid dividends have been franked is 30% (2005: 30%).

Dividends proposed will be franked at the rate of 30% (2005: 30%).

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
7. CASH AND CASH EQUIVALENTS				
(a) Reconciliation of cash and cash equivalents				
Cash balance comprises:				
– cash at bank and in hand	2,482,009	7,859,784	1,022,619	5,663,540
– commercial bills	16,955,179	14,394,421	8,265,247	7,894,923
	19,437,188	22,254,205	9,287,866	13,558,463
Cash at bank and in hand attributable to discontinued operations	1,026,203	-	-	-
Closing cash balance	20,463,391	22,254,205	9,287,866	13,558,463

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Commercial bills are rolled over for one month periods and earn interest at the respective short-term deposit rates.

The book value of cash assets equals their fair value.

(b) Reconciliation

Net profit	26,151,238	23,793,674	8,446,693	12,905,206
<i>Adjustments for</i>				
Depreciation of non-current assets	359,572	222,817	93,217	66,559
Amortisation of lease incentive	16,490	-	16,490	-
Net loss on disposal of financial assets	61,495	-	61,494	-
Share of associates' net profits	(4,174,762)	(1,861,944)	-	-
Dividend received from an associate	2,801,693	721,116	-	-
Non-cash distribution on investment	(116,392)	-	-	-
Write off of plant and equipment	43,413	5,197	2,755	1,284
Non-cash interest from related companies	(19,193)	(182,277)	(94,672)	(223,130)
Share based payments	626,254	159,021	505,776	95,051
Non-cash commission income	-	(62,500)	-	-

Changes in assets and liabilities

(Increase)/decrease in trade and other receivables	(1,151,948)	(4,254,459)	633,081	(779,974)
(Increase)/decrease in dividends receivable	721,116	(721,116)	3,539,972	(4,196,236)
(Increase)/decrease in future income tax benefit	(1,639,451)	(113,209)	(459,833)	(316,446)
(Increase)/decrease in prepayments and other current assets	(358,586)	(263,460)	18,928	(45,716)
(Decrease)/increase in trade creditors	(51,490)	1,648,633	(45,765)	32,868
(Decrease)/increase in other creditors and accruals	723,046	1,340,124	65,424	206,095
(Decrease)/increase in tax provision	(738,513)	(157,108)	-	-
(Decrease)/increase in employee benefits	234,703	66,091	18,430	13,807
Net cash flow from operating activities	23,488,685	20,340,600	12,801,990	7,759,368

(c) Financing facilities available

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

Notes to the Financial Statements

30 JUNE 2006	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
8. TRADE AND OTHER RECEIVABLES (CURRENT)					
Trade receivables	(i)	9,498,923	9,628,238	-	-
Sundry receivables	(ii)	235,444	114,108	20,237	18,323
Other receivables	(ii)	19,914	188,000	-	-
Related party receivables	(iii)				
- Subsidiaries		-	-	639,746	5,195,917
- Associates		2,306,950	2,972,244	1,934,226	2,800,780
- Other related parties		2,498,014	3,459,816	-	-
		14,559,245	16,362,406	2,594,209	8,015,020

Terms and conditions

Terms and conditions relating to the above financial instruments:

- (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) Details of the terms and conditions of related party receivables are set out in Note 23.

9. AVAILABLE-FOR-SALE INVESTMENTS

Current

Units in unlisted managed investment trust

- Investors Mutual Value and Income Fund	3,262,490	-	-	-
- Global Value Investors Industrial Share Fund	3,675,834	-	-	-
- Other	2,000,000	-	-	-
	8,938,324	-	-	-

Non-current

Unlisted shares in other corporations	14,650	-	14,550	-
Convertible notes	50,000	-	50,000	-
Security Deposits	485,634	-	336,985	-
	550,284	-	401,535	-

Units are readily saleable with no fixed terms. Had the investments been sold on 30 June 2006 a capital gains tax of \$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.

The above investments in unit trusts were classified as other financial assets in 2005, as disclosed in Note 14.

10. OTHER RECEIVABLES (NON-CURRENT)

Other receivables due from:

Subsidiaries		-	-	1,750,227	871,618
	10(a), (b),				
Associates	23	-	216,366	-	216,366
		-	216,366	1,750,227	1,087,984

- (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).

Notes to the Financial Statements

30 JUNE 2006	Notes	CONSOLIDATED	
		2006	2005
		\$	\$
11. INVESTMENTS IN ASSOCIATES			
Investment in associates	11(a)	7,868,862	2,295,792
(a) Interests in Associates		Ownership interest held by consolidated entity	
		2006	2005
Name	Balance date	%	%
Orion Asset Management (Aust) Pty Ltd - ordinary shares	30 June	41.9	29.9
Confluence Asset Management Ltd – ordinary shares	30 June	35	35
<i>(i) Principal activity</i>			
(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 investments in companies with a small business capitalisation in Australia.			
		CONSOLIDATED	
		2006	2005
		\$	\$
<i>(ii) Share of associates' balance sheets:</i>			
Current assets		8,011,737	3,885,267
Non-current assets		53,437	22,127
Current liabilities		(5,581,160)	(2,894,785)
Non-current liabilities		-	(152,766)
Net assets		2,484,014	859,843
<i>(iii) Share of associates' profits</i>			
Share of associates':			
- profits before income tax		5,971,301	2,536,247
- income tax expense		(1,796,539)	(674,303)
- profit after income tax		4,174,762	1,861,944
<i>(iv) Carrying amount of investment in associates</i>			
Balance at the beginning of the year		2,295,792	1,055,464
- new investment during financial year		4,200,000	100,000
- share of associates' net profits for the financial year		4,174,762	1,861,444
- dividends received from associates		(2,801,692)	(721,116)
Balance at the end of the year		7,868,862	2,295,792

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 14.

Notes to the Financial Statements

30 JUNE 2006	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
12. PLANT AND EQUIPMENT					
Furniture & fittings					
		183,506	129,201	44,070	46,240
		(39,354)	(27,649)	(14,951)	(12,072)
	12(a)	144,152	101,552	29,119	34,168
Office equipment					
		898,463	733,544	265,725	248,983
		(524,214)	(378,179)	(152,585)	(83,078)
	12(a)	374,249	355,365	113,140	165,905
Leasehold improvements					
		551,087	617,500	121,254	118,213
		(210,540)	(116,093)	(44,497)	(24,633)
	12(a)	340,547	501,407	76,757	93,580
		858,948	958,324	219,016	293,653
(a) Reconciliations					
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.					
Furniture & fittings					
		101,552	104,736	34,168	36,001
		(5,590)	-	-	-
		95,962	104,736	34,168	36,001
		63,509	9,087	-	2,248
		(1,895)	-	(1,441)	-
		(13,424)	(12,271)	(3,608)	(4,081)
		144,152	101,552	29,119	34,168
Office equipment					
		355,365	206,881	165,905	63,947
		(11,563)	-	-	-
		343,802	206,881	165,905	63,947
		230,274	283,706	18,295	146,013
		(5,688)	(5,197)	(1,315)	(1,284)
		(194,139)	(130,025)	(69,745)	(42,771)
		374,249	355,365	113,140	165,905
Leasehold improvements					
		501,407	244,978	93,580	113,287
		(15,251)	-	-	-
		486,156	244,978	93,580	113,287
		70,428	336,950	41,545	-
		(74,303)	-	(38,504)	-
		(141,734)	(80,521)	(19,864)	(19,707)
		340,547	501,407	76,757	93,580

Notes to the Financial Statements

30 JUNE 2006

CONSOLIDATED

2006	2005
\$	\$

13. GOODWILL AND IMPAIRMENT TESTING

Carrying amount at the beginning of the financial year	1,646,139	1,646,139
Additions	763,100	-
Carrying amount at the end of the financial year	2,409,239	1,646,139

As of 1 July 2005, goodwill is no longer amortised, but it is now subject to annual impairment testing. No impairment loss was recognised during the 2006 financial year.

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;
- Armytage private Ltd;
- Treasury Asia Asset Management Ltd.

Investors Mutual Ltd

The recoverable amount of Investors Mutual Ltd has been determined based on a value in use calculation using cash flow projections based on the budget for the 2007 financial year which has been extrapolated for a five year period.

The pre-tax discount rate applied to cash flow projections is 8.5% (2005: 8.5%) and cash flows beyond the budget period have been extrapolated using a 5% (2005:5%) growth rate.

Treasury Asia Asset Management Ltd

The recoverable amount of Treasury Asia Asset Management Ltd has been determined based on applying various probabilities to likely business scenarios and FUM growth. The analysis was prepared from information collated on investor appetite, inquiry and business strategy. TAAM is actively pursuing developing business opportunities both domestically and offshore. It is expected that FUM growth will be significant in relative terms given the low base from which projections are being made. The pre-tax discount rate applied to cash flow projections is 8.5%.

Armytage private Ltd

The recoverable amount of Armytage private Ltd has been based on the fair value less cost of sale, based on the agreed sale price for the company.

Carrying amount of goodwill allocated to each of the cash generating units

CONSOLIDATED

2006	2005
\$	\$

Investors Mutual Ltd	1,508,168	1,508,168
Treasury Asia Asset Management Ltd	763,100	-
Armytage private Ltd	137,971	137,971
	2,409,239	1,646,139

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
14. OTHER FINANCIAL ASSETS				
Current				
Units in unlisted managed investment trust, at cost				
- Investors Mutual Value and Income Fund	-	2,619,477	-	-
- Global Value Investors Industrial Share Fund	-	3,000,000	-	-
Other	322,648	357,531	175,073	56,929
	322,648	5,977,008	175,073	56,929

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.

Non – Current

Security deposits		315,685	-	182,235
Investment in controlled entities – unlisted	23	-	9,933,468	4,269,974
Investment in associates – unlisted	11	-	5,788,936	1,588,936
Shares in other corporations				
- Unlisted		100,600	-	100,600
- Listed		62,500	-	-
		478,785	15,722,404	6,141,745

15. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables	(i)	717,162	676,586	10,429	65,102
Employee benefits	(i)	457,019	249,814	42,540	24,110
Other payables	(ii)	6,590,632	4,828,440	579,332	500,343
Dividend payable		-	4,499,868	-	-
Related party payables:					
- Director-related entities		-	416,959	-	-
- subsidiaries		-	-	8,907	-
- associates		325,535	1,500,967	-	-
		8,090,348	12,172,634	641,208	589,555

Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade payables and other payables are non-interest bearing and are normally settled on 30 day terms.
- (ii) Details of the terms and conditions of related party payables are set out in Note 23.

Notes to the Financial Statements

30 JUNE 2006

CONSOLIDATED

TREASURY GROUP LIMITED

2006	2005	2006	2005
\$	\$	\$	\$

16. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares

Issued and fully paid	23,404,024	22,012,557	23,404,024	22,012,557
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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.

(b) Movements in ordinary shares on issue

TREASURY GROUP LIMITED

2006		2005	
Number of shares	\$	Number of shares	\$

Beginning of the financial year	21,699,925	22,012,557	17,882,593	13,075,623
Issued during the year				
- exercise of options	375,333	1,391,467	3,817,332	8,936,934
End of the financial year	22,075,258	23,404,024	21,699,925	22,012,557

(c) Share Options

Options over ordinary shares:

During the financial year 930,000 options were issued over ordinary shares (2005: 450,000). The options had a weighted average exercise price of \$16.14 (2005: \$10.44).

At the end of the year there were 2,426,334 (2005: 1,871,667) unissued ordinary shares in respect of which 2,385,001 options 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

2006	2005	2006	2005
\$	\$	\$	\$

(d) Retained profits

Balance at the beginning of the year	8,936,912	4,575,388	6,772,084	1,820,766
Prior year adjustment	-	(289,452)	-	-
Restated balance at the beginning of the year	8,936,912	4,285,936	6,772,084	1,820,766
Net profit for the year	14,399,337	12,604,864	8,446,693	12,905,206
Dividends	(9,930,356)	(7,953,888)	(9,930,356)	(7,953,888)
Balance at end of year	13,405,893	8,936,912	5,288,421	6,772,084

Prior year adjustment

During the year an adjustment was made to a performance fee paid to Treasury Group Investment Services in respect of the financial year ended 30 June 2004. The adjustment was necessary due to an incorrect interpretation of the formula determining the calculation of a performance fee.

The adjustment also resulted in a difference between the AIFRS adjusted balance sheet disclosed in Note 27 and the comparative information provided in the balance sheet.

Notes to the Financial Statements

30 JUNE 2006

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
16. CONTRIBUTED EQUITY AND RESERVES (Cont.)				
(e) Reserves				
<i>Net unrealised gains reserve</i>				
Balance at the beginning of year	-	-	-	-
Application of AASB 132 and AASB 139	305,241	-	-	-
Net unrealised gains on available-for-sale investments	929,787	-	-	-
Tax effect of gains on available-for-sale investments	(371,032)	-	-	-
Balance at end of year	863,996	-	-	-
<i>Options reserve</i>				
Balance at the beginning of year	159,021	-	159,021	-
Share-based payments	626,253	159,021	505,776	95,051
Investment	763,100	-	763,100	-
Share-based payments recharged to related parties	-	-	120,477	63,970
Balance at end of year	1,548,374	159,021	1,548,374	159,021
Total reserves	2,412,370	159,021	1,548,374	159,021

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 18 for further details of these plans.

	CONSOLIDATED	
	2006	2005
	\$	\$
(f) Minority Interests		
Interest in retained earnings	7,549,023	3,296,585
	7,549,023	3,296,585

Notes to the Financial Statements

30 JUNE 2006

17. 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		TREASURY GROUP LIMITED	
		2006	2005	2006	2005
		\$	\$	\$	\$
<i>Future minimum rentals:</i>					
Minimum lease payments	17(a)				
- not later than one year		652,454	646,781	337,327	416,213
- later than one year and not later than five years		1,748,487	1,320,102	1,327,123	743,670
- later than five years		-	-	-	-
Aggregate lease expenditure contracted for at reporting date		2,400,941	1,966,883	1,664,450	1,159,883
Aggregate expenditure commitments comprise:					
Amounts provided for:					
- lease incentive liability - current	17(b)	16,490	16,491	16,490	16,491
- non-current	17(b)	44,582	61,072	44,582	61,072
		61,072	77,563	61,072	77,563
Amounts not provided for:					
- rental commitments		2,339,869	1,889,320	1,603,378	1,082,320
Total not provided for		2,339,869	1,889,320	1,603,378	1,082,320
Aggregate lease expenditure contracted for at reporting date		2,400,941	1,966,883	1,664,450	1,159,883

Note:

- 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 \$48,035 (2005: \$488,608) and \$149,454 (2005: \$378,408) respectively.
- 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 is six years and the incentive liability is reduced on an imputed interest basis at the rate implicit in the lease.
- The consolidated entity's share of the associates' lease commitment at the reporting date is \$99,949 (2005: \$62,543).

Notes to the Financial Statements

30 JUNE 2006

18. 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 share-based payments is \$626,253 for the consolidated statements (2005: \$159,021) and \$505,776 (2005: 95,051) for the Parent.

The weighted average remaining contractual life for the share options outstanding is between 1 and 5 years (2005: 2 and 4 years).

The weighted average fair value of options granted during the year was \$1.76 (2005: \$1.87).

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

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,076,666	\$7.48	3,688,999	\$2.94
- forfeited during the year	-	-	(233,333)	\$6.64
- granted during the year	730,000	\$16.14	450,000	\$10.44
- exercised during the year	(191,666)	\$0.65	(2,829,000)	\$1.93
- reduction on termination *	(253,000)	\$10.33	-	-
Outstanding at the end of the year	1,362,000	\$13.01	1,076,666	\$7.48
Exercisable at the end of the year	402,000	\$7.50	176,666	\$1.82

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

The outstanding balance as at 30 June 2006 is represented by:

- 200,000 options over ordinary shares with an exercise price of \$7.00, exercisable until 29 July 2007;
- 2,000 options over ordinary shares with an exercise price of \$7.16, exercisable until 1 March 2009
- 200,000 options over ordinary shares with an exercise price of \$8.00, exercisable until 29 July 2007;
- 230,000 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;
- 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:

- Historical volatility for the financial year of 28%, (2005: 26%)
- Risk free rate of 5.7%;
- dividend consistent with the current policy of the company;
- expected lives of 3 – 5 years; and
- 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.

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 a discount. The shares are held in trust on behalf of the employees 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 49 employees eligible to participate in the plan.

Notes to the Financial Statements

30 JUNE 2006

19. SUBSEQUENT EVENTS

2006

On 4 September 2006, the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is \$7.077 million, which represents a fully franked dividend of 32 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements.

On 18 August 2006, the Group increased the loan facility to TAAM by \$500,000, taking the total facility to \$1.5 million.

On 11 July 2006 Treasury Group Limited sold its 50% interest in boutique fund manager, Armytage private Limited for \$3m. The shares were sold to AVFM Limited, a company associated with Mr Lee laFratre.

On 3 July 2006 Treasury Group Limited issued 150,000 options with an exercise price of \$16.00 and a vesting condition of RARE achieving FUM of \$400 million as part of its investment in RARE Infrastructure Limited.

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

20. EARNINGS PER SHARE

CONSOLIDATED

2006	2005
\$	\$

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	14,131,943	12,199,110
Profit attributable to ordinary equity holders of the parent from discontinued operations	267,394	405,754
Net profit attributable to ordinary equity holders	14,399,337	12,604,864

Number of shares

Weighted average number of ordinary shares used in calculating basic earnings per share:	22,021,995	20,877,674
Effect of dilutive securities:		
Dilutive effect of potential ordinary shares – share options	596,564	810,088
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	22,618,559	21,687,762

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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	267,394	405,754
- for diluted earnings per share	267,394	405,754

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

M. Fitzpatrick	Chairman (non-executive)
D. Cooper	Managing Director – appointed 8 August 2005
R. Green	Director (non-executive)
P. Kennedy	Director (non-executive)
D. Sharp	Director (non-executive) – appointed 11 July 2005
L.D.P. IaFrate	Director (non-executive) – resigned 2 June 2006

(ii) Executives

J Ferragina (appointed 4 October 2005)	Chief Financial Officer
E Jurgeleit	Group Manager – Risk and New Business
C Feldmanis (appointed 17 October 2005)	Managing Director – Treasury Group Investment Services Ltd
R Sullivan (appointed 1 May 2006)	Head of Distribution
A Tagliaferro	Investment Director – Investment Mutual Ltd
R. Kipp (resigned 1 October 2005)	Chief Financial Officer

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.

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 senior manager 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 17 November 2004 when shareholders approved an aggregate remuneration of \$350,000 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.

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

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 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:

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

	<u>Short term</u>		<u>Post</u>	<u>Share based payments</u>		<u>Other</u>	<u>Total</u>	<u>Performance</u>
	Salary & Fees	Cash Bonus	Employment Superannuation	Shares	Options	Termination Benefits	\$	related
	\$	\$	\$	\$	\$	\$	\$	
Directors								
M. Fitzpatrick								
2006	60,206	-	4,903	-	-	-	65,109	-
2005	31,346	-	2,821	-	-	-	34,167	-
D. Cooper (appointed Managing Director 8 August 2005)								
2006	344,037	200,000	30,963	-	121,180	-	696,180	29%
L.D.P. IaFrate (resigned 2 June 2006)								
2006	114,472	60,000	24,339	88,000 [^]	-	-	286,811	14%
2005	110,298	170,000	9,927	-	-	-	290,225	59%
R. Green								
2006	144,160	-	8,340	-	-	-	152,500	-
2005	243,366	-	10,800	-	-	-	254,166	-
P. Kennedy								
2006	65,000	-	-	-	-	-	65,000	-
2005	48,667	-	-	-	-	-	48,667	-
D. Sharp								
2006	94,731	62,504*	-	-	-	-	157,235	-
T. Poole (resigned 1 November 2004)								
2005	9,174	-	826	-	-	-	10,000	-
Executives								
D. Cooper (appointed Managing Director 8 August 2005)								
2005	344,037	150,000	30,963	-	236,958	-	761,958	20%
J. Ferragina (appointed 4 October 2005)								
2006	154,563	66,000	9,027	-	74,733	-	304,323	22%
E. Jurgelait								
2006	193,063	63,642	12,139	-	44,780	-	313,624	20%
2005	117,500	33,660	10,575	-	-	-	161,735	21%
C. Feldmanis (appointed 17 October 2005)								
2006	132,466	60,000	8,560	-	44,780	-	245,806	24%
R. Sullivan (appointed 1 May 2006)								
2006	27,143	-	2,023	-	-	-	29,166	-
A. Tagliaferro								
2006	204,750	-	16,900	-	-	-	221,650	-
2005	206,297	-	38,702	-	-	-	244,999	-
R. Kipp (resigned 1 October 2005)								
2006	59,465	-	5,352	-	34,349	331,981	431,147	-
2005	248,238	120,000	35,095	-	114,498	-	517,831	23%
Total Remuneration: Key Management Personnel								
2006	1,594,056	512,146	122,546	88,000	319,822	331,981	2,968,551	17%
2005	1,358,923	473,660	139,709	-	351,456	-	2,323,748	20%

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

* Relates to 2004/05

Compensation by Category: Key Management Personnel

Short-Term
Post Employment
Share-based Payments
Termination Benefits
Total Remuneration

CONSOLIDATED

	2006	2005
	\$	\$
Short-Term	2,106,202	1,832,583
Post Employment	122,546	139,709
Share-based Payments	407,822	351,456
Termination Benefits	331,981	-
Total Remuneration	2,968,551	2,323,748

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

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

During the financial year options were granted as equity compensation benefits to certain key management personnel as disclosed below. 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.

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*					
2005	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
Executives							
R. Kipp	-	100,000	25/08/2004	1.87	11.00	25/08/2007	25/08/2009
R. Kipp	-	50,000	25/08/2004	1.87	11.00	25/08/2008	25/08/2009
R. Kipp	-	50,000	25/08/2004	1.87	11.00	25/07/2009	25/08/2009
Total	-	200,000*					

* 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% (2005: 26%), 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.

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

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

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.

2005

	Shares issued Number	Paid \$ per share
Directors		
R. Green	300,000	0.90
R. Green	160,000	0.75
Executives		
D. Cooper	300,000	5.00
D. Cooper	300,000	6.00
R. Kipp	50,000	3.50
R. Kipp	50,000	4.00
Total	<u>1,160,000</u>	

All shares were fully paid.

(e) Option and Share Holdings of Key Management Personnel

Option holdings of Key Management Personnel

30 June 2006	Balance at beginning of period (1 July 2005)	Granted as Remuneration	Options Exercised	Options transferred on Resignation	Balance at end of period (30 June 2006)	Total vested and exercisable at 30 June 2006*
Directors						
M. Fitzpatrick	-	-	-	-	-	-
D. Cooper	400,000	400,000	-	-	800,000	-
L.D.P. IaFrate	-	-	-	-	-	-
R. Green	-	-	-	-	-	-
P. Kennedy	-	-	-	-	-	-
D Sharp	-	-	-	-	-	-
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	<u>615,000</u>	<u>730,000</u>	<u>-</u>	<u>(215,000)</u>	<u>1,130,000</u>	<u>-</u>

*Options are exercisable once vested.

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

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

Option holdings of Key Management Personnel

30 June 2005	Balance at beginning of period (1 July 2004)	Granted as Remuneration	Options Exercised	Options transferred on Resignation	Balance at end of period (30 June 2005)	Total vested and exercisable at 30 June 2005*
Directors						
M. Fitzpatrick	-	-	-	-	-	-
L.D.P. IaFrate	250,000	-	(250,000)	-	-	-
R. Green	460,000	-	(460,000)	-	-	-
P. Kennedy	-	-	-	-	-	-
T. Poole	-	-	-	-	-	-
Executives						
D. Cooper	1,000,000	-	(600,000)	-	400,000	-
A Tagliaferro	-	-	-	-	-	-
R. Kipp	115,000	200,000	(100,000)	-	215,000	15,000
Total	1,825,000	200,000	(1,410,000)	-	615,000	15,000

*Options are exercisable once vested.

Shareholdings of Key Management Personnel

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

Notes to the Financial Statements

30 JUNE 2006

21 KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

(e) Option and share holdings of Key Management Personnel (Cont.)

30 June 2005

Ordinary shares
held in Treasury
Group Ltd
(number)

	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
Directors					
M. Fitzpatrick*	-	-	-	2,651,500	2,651,500
R. Green	2,405,000	-	460,000	(200,000)	2,665,000
P. Kennedy	-	-	-	-	-
T. Poole **	32,000	-	-	(32,000)	-
L.D.P. IaFrate	1,724,000	-	250,000	(106,000)	1,868,000
Executives					
D. Cooper	-	-	600,000	(67,000)	533,000
A Tagliaferro	2,561,337	-	-	905,663	3,467,000
R. Kipp	102,000	-	100,000	(100,000)	102,000
Total	6,824,337	-	1,410,000	3,052,163	11,286,500

* Appointed during the year

** Resigned during the year

All equity transactions with specified Directors and specified executives 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.

(f) Contracts for Key Management Personnel

The Managing Director, Mr Cooper, is employed under contract. The current employment contract commenced on 16 July 2004 and terminated on 15 July 2006. The Company has entered into a new employment contract with Mr Cooper. Under the terms of the present contract, a base salary of \$425,000 (gross) will be paid effective from 16 July, 2006. Additional terms 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 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.

Notes to the Financial Statements

30 JUNE 2006

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

(g) Transactions with director-related entity

Details of the transactions with Director-related entities are set out in Note 23. 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 2006.

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$
22. 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	305,681	213,625	85,150	55,000
- tax compliance	42,224	29,800	9,050	8,150
	347,905	243,425	94,200	63,150
Amounts received or due and receivable by Ernst & Young Australia in respect of discontinuing 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	-	-	-
Amounts received or due and receivable by non Ernst & Young audit firms for:				
Other non-audit services	4,700	-	4,700	-

23. 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	
	2006	2005	2006	2005
	%	%	\$	\$
Armytage private Ltd	50	50	299,591	299,591
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	100,006
Treasury Group Nominees Pty Ltd	100	100	200	200
Global Value Investors Ltd	67	67	250	250
Treasury Asia Asset Management Ltd	47	-	763,500	-
			9,933,468	4,269,974

Notes to the Financial Statements

30 JUNE 2006

23. RELATED PARTY DISCLOSURES (Cont.)

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 4.

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 Armytage private Ltd and Investors Mutual 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 3 and Note 8 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.

During the year, no additional amount (2005: \$Nil) was advanced to a wholly-owned subsidiary, and no repayments were received (2005: \$Nil). Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 3 and Note 10 to the financial report respectively.

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 3 and Note 8 to the financial report respectively.

Dividend

Any dividend received and receivable at reporting date are disclosed in Note 3 and Note 8 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, \$1,313,628 (2005: \$400,000) 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 3 and Note 10 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 17 to the financial report.

Other

Mr D Sharp has invested in investment schemes by the Group and received rebates on management fees totalling \$2,415 during the year.

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 3 and Note 8 to the financial report respectively.

Loans

During the year, Treasury Group Limited did not provide additional loans to associates (2005: \$Nil). The existing loans have been in accordance with a working capital loan facility and are on a long-term basis. A repayment of \$2,106,022 (2005: \$350,000) has been received from an associate during the year.

In accordance with the loan agreements, interest on the loans was capitalised at commercial fixed rates. Details of interest income are disclosed in Note 3 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 \$1,646,577 (2005: \$1,421,785) is included in the Fund Management and Administration Fees on the Income Statement. Payables at the reporting date are disclosed in Note 15 to the financial report.

Notes to the Financial Statements

30 JUNE 2006

23. RELATED PARTY DISCLOSURES (Cont.)

Transactions with director-related entity

Dividend and dividend receivable

Any dividend received and receivable at reporting date are disclosed in Note 3 and Note 8 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 17 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 R. Green, Mr D Sharp and Mr R. Kipp were Directors. Dealings were on commercial terms and conditions. Details of management fees amounting to \$296,826 (2005: \$404,865) are included in Note 3 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 \$2,352,584 (2005: \$2,027,788) and \$2,236,582 (2005: \$2,144,285) respectively. The receivable at the reporting date is disclosed in Note 8 to the financial report.

Services

During the prior year, a controlled entity provided administrative services to a director-related entity, a company of which Mr L.D.P. IaFrates and Mr P. Kennedy are Directors. Dealings were on commercial terms and conditions. Details of service fees amounting to \$Nil (2005: \$62,500) are included in Note 3 to the financial report.

24. SEGMENT INFORMATION

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

25. FINANCIAL RISK MANAGEMENT POLICIES

Credit Risk

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the operations of 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. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is credit risk. The policy for managing the risk is summarised below:

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

There are no significant concentrations of credit risk within the Group.

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.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Notes to the Financial Statements

30 JUNE 2006

26. 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
	\$	\$	\$	\$	\$	\$	
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%
Available-for-sale investments	-	-	485,635	-	9,002,973	9,488,608	5.70%
Other	-	-	-	-	322,648	322,648	N/A
TOTAL	2,482,009	16,955,179	485,635	235,559	23,649,307	43,807,689	
Financial liabilities							
Accounts payable	-	-	-	-	7,618,040	7,618,040	
TOTAL	-	-	-	-	7,618,040	7,618,040	

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

Notes to the Financial Statements

30 JUNE 2006

26. FINANCIAL INSTRUMENTS (Cont.)

(a) Interest rate risk (Cont.)

	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
	\$	\$	\$	\$	\$	\$	
2005							
Financial assets							
Cash	7,859,784	14,394,421	-	-	-	22,254,205	5.74%
Receivables	-	2,043,730	-	216,366	14,318,676	16,578,772	8.05%
Other Financial Assets	-	-	315,685	-	6,140,108	6,455,793	N/A
TOTAL	7,859,784	16,438,151	315,685	216,366	20,458,784	45,288,770	
Financial liabilities							
Accounts payable	-	-	-	-	7,070,522	7,070,522	N/A
TOTAL	-	-	-	-	7,070,522	7,070,522	

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

Notes to the Financial Statements

30 JUNE 2006

26. FINANCIAL INSTRUMENTS (Cont.)

(b) Net fair values

2006

Cash and 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.

2005

All financial assets and liabilities have been recognised at the reporting date at their historical value, which is also at their fair value, except:

- shares in other corporations (non-current) with a carrying value of \$100,600 are carried at lower than their net fair value of \$131,061. The Directors have decided not to revalue this investment to its fair value as at the reporting date since it is their intention to hold the investment for the long term, unless the Directors otherwise determine.
- units in unlisted managed investment trust with a carrying value of \$5,619,477 are carried at the lower than their net fair value of \$6,005,075.

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice ('AGAAP'). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Group has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the company and group have adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.
- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- AASB 2 *Share-based payments* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

Explanation of material adjustments to the Cash Flow Statement

There are no material differences between the Cash Flow Statement presented under AIFRS and the Cash Flow Statement presented under the previous AGAAP.

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

	Notes	CONSOLIDATED			PARENT		
		AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
	27	\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents		13,595,385	-	13,595,385	5,132,629	-	5,132,629
Trade and other receivables		9,589,187	-	9,589,187	1,055,159	-	1,055,159
Other financial assets		2,500,000	-	2,500,000	-	-	-
Other		94,071	-	94,071	11,213	-	11,213
TOTAL CURRENT ASSETS		25,778,643	-	25,778,643	6,199,001	-	6,199,001
NON-CURRENT ASSETS							
Trade receivables		2,427,819	-	2,427,819	2,858,583	-	2,858,583
Other financial assets		100,600	-	100,600	5,859,060	-	5,859,060
Deferred tax assets		192,485	-	192,485	-	-	-
Investments accounted for using the equity method	(i)	1,125,636	(70,672)	1,054,964	-	-	-
Plant and equipment		556,595	-	556,595	213,235	-	213,235
Intangible Assets	(i)	1,664,550	(18,413)	1,646,137	-	-	-
Other		226,335	-	226,335	180,857	-	180,857
TOTAL NON-CURRENT ASSETS		6,294,020	(89,085)	6,204,935	9,111,735	-	9,111,735
TOTAL ASSETS		32,072,663	(89,085)	31,983,578	15,310,736	-	15,310,736
CURRENT LIABILITIES							
Trade Payables		4,266,777	-	4,266,777	326,482	-	326,482
Provisions		1,208,711	-	1,208,711	10,303	-	10,303
Current tax liabilities		4,137,096	-	4,137,096	-	-	-
TOTAL CURRENT LIABILITIES		9,612,584	-	9,612,584	336,785	-	336,785
NON-CURRENT LIABILITIES							
Payables		77,563	-	77,563	77,563	-	77,563
TOTAL NON-CURRENT LIABILITIES		77,563	-	77,563	77,563	-	77,563
TOTAL LIABILITIES		9,690,147	-	9,690,147	414,348	-	414,348
NET ASSETS		22,382,516	(89,085)	22,293,431	14,896,388	-	14,896,388

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004 (Cont.)

	CONSOLIDATED			PARENT		
	AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
EQUITY						
Parent entity interest in equity						
Contributed equity	13,075,623	-	13,075,623	13,075,623	-	13,075,623
Reserves	-	-	-	-	-	-
Retained earnings	4,664,473	(89,085)	4,575,388	1,820,765	-	1,820,765
Total parent entity interest in equity	17,740,096	(89,085)	17,651,011	14,896,388	-	14,896,388
Minority interests	4,642,420	-	4,642,420	-	-	-
TOTAL EQUITY	22,382,516	(89,085)	22,293,431	14,896,388	-	14,896,388

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

	Notes	CONSOLIDATED			PARENT		
		AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents		22,254,205	-	22,254,205	13,558,463	-	13,558,463
Receivables	(iii)	16,362,406	-	16,362,406	8,075,099	63,970	8,139,069
Other financial assets		5,619,477	-	5,619,477	-	-	-
Other		357,531	-	357,531	56,929	-	56,929
TOTAL CURRENT ASSETS		44,593,619	-	44,593,619	21,690,491	63,970	21,754,461
NON-CURRENT ASSETS							
Receivables		216,366	-	216,366	1,087,984	-	1,087,984
Other financial assets		163,100	-	163,100	5,959,510	-	5,959,510
Deferred income tax assets		305,694	-	305,694	316,446	-	316,446
Investments accounted for using the equity method	(i)	2,252,554	43,238	2,295,792	-	-	-
Plant and equipment		958,324	-	958,324	293,653	-	293,653
Intangible assets	(i)	1,567,164	78,975	1,646,139	-	-	-
Other		315,685	-	315,685	182,235	-	182,235
TOTAL NON-CURRENT ASSETS		5,778,887	122,213	5,901,100	7,839,828	-	7,839,828
TOTAL ASSETS		50,372,506	122,213	50,494,719	29,530,319	63,970	29,594,289
CURRENT LIABILITIES							
Payables		7,009,450	-	7,009,450	565,445	-	565,445
Provisions		4,749,682	-	4,749,682	24,110	-	24,110
Current tax liabilities		3,979,988	-	3,979,988	-	-	-
TOTAL CURRENT LIABILITIES		15,739,120	-	15,739,120	589,555	-	589,555
NON-CURRENT LIABILITIES							
Payables		61,072	-	61,072	61,072	-	61,072
TOTAL NON-CURRENT LIABILITIES		61,072	-	61,072	61,072	-	61,072
TOTAL LIABILITIES		15,800,192	-	15,800,192	650,627	-	650,627
NET ASSETS		34,572,314	122,213	34,694,527	28,879,692	63,970	28,943,662

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005 (Cont.)

	Notes	CONSOLIDATED			PARENT		
		AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
	27	\$	\$	\$	\$	\$	\$
EQUITY							
Parent entity interest in equity							
Contributed equity		22,012,557	-	22,012,557	22,012,557	-	22,012,557
Reserves	(iii)	-	159,021	159,021	-	159,021	159,021
Retained earnings	(i), (ii), (iii)	9,231,187	(4,821)	9,226,366	6,867,135	(95,051)	6,772,084
Total parent entity interest in equity		31,243,744	154,200	31,397,944	28,879,692	63,970	28,943,662
Minority interests		3,328,570	(31,987)	3,296,583	-	-	-
TOTAL EQUITY		34,572,314	122,213	34,694,527	28,879,692	63,970	28,943,662

Reconciliation of profit for the year ended 30 June 2005

	Notes	CONSOLIDATED			PARENT		
		AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
	27	\$	\$	\$	\$	\$	\$
Revenue		46,653,643	-	46,653,643	14,614,266	-	14,614,266
Salaries and employee benefits expenses	(iii)	(8,300,112)	(159,021)	(8,459,133)	(1,568,479)	(95,051)	(1,663,528)
Fund management and administration fees		(2,802,657)	-	(2,802,657)	(3,000)	-	(3,000)
Other expenses	(i), (ii)	(4,131,592)	97,388	(4,034,204)	(872,015)	-	(872,015)
Share of net profits of associates accounted for using the equity method	(i), (ii)	1,748,034	113,910	1,861,944	-	-	-
Profit before income tax		33,167,316	52,277	33,219,593	12,170,772	(95,051)	12,075,721
Income tax expense		(9,425,919)	-	(9,425,919)	829,485	-	829,485
Profit for the year		23,741,397	52,277	23,793,674	13,000,257	(95,051)	12,905,206
Profit attributable to minority interest	(iii)	(11,220,797)	31,987	(11,188,810)	-	-	-
Profit attributable to members of Treasury Group Ltd		12,520,600	84,264	12,604,864	13,000,257	(95,501)	12,905,206

The reconciliation of profit as at 30 June 2005 reflects the consolidation of Armytage private Ltd as it was a continuing operation for the year ended 2005. The comparatives as stated in the Income Statement reflect Armytage as a discontinued operation

The AIFRS balances as at 30 June 2005 do not reflect the effect of the prior year adjustment, as disclosed in Note 16 (d).

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Restated equity and profit as at transition and 30 June 2005

Ref	Item	AGAAP	AIFRS	Impact	
				Consolidated	Parent
(i)	Establishment Costs	Establishment costs were capitalised and amortised over their expected useful economic lives	Under AASB 138 <i>Intangible Assets</i> establishment costs are written off as incurred.	<p><i>Equity at transition:</i> Decrease in retained earnings by \$89,085.</p> <p><i>Equity at 30 June 2005:</i> Decrease in retained earnings of \$59,175.</p> <p><i>Profit for 30 June 2005:</i> Increase in profit as amortisation charges are no longer incurred of \$29,910, consisting of a decrease in amortisation charges by the Group of \$970 and equity accounted entities by \$28,940.</p>	<p><i>Equity at transition:</i> No effect.</p> <p><i>Equity at 30 June 2005:</i> No effect.</p> <p><i>Profit for 30 June 2005:</i> No effect.</p>
(ii)	Business Combinations and Goodwill	Goodwill was amortised over its useful life (not exceeding 20 years)	The Group has chosen to adopt the exemption available under AASB 1 of not retrospectively applying AASB 3 <i>Business Combinations</i> to its business combinations occurring before transition date. Under AASB 3 goodwill is subject to annual impairment testing and amortisation of goodwill is strictly prohibited. An adjustment is thus required to reverse the amortisation charge for 30 June 2005.	<p><i>Equity at transition:</i> No effect</p> <p><i>Equity at 30 June 2005:</i> Increase in retained earnings of \$181,388, consisting of an increase in retained earnings in respect of subsidiaries of \$96,418 and equity accounted investments of \$84,970.</p> <p><i>Profit for 30 June 2005:</i> Increase in profits of \$181,388.</p>	<p><i>Equity at transition:</i> No effect.</p> <p><i>Equity at 30 June 2005:</i> No effect.</p> <p><i>Profit for 30 June 2005:</i> No effect.</p>
(iii)	Share based payments	Share based payments were not recognised.	The fair value of options issued to employees as remuneration is recognised as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding entry to equity, in line with AASB 2 <i>Share based payments</i> .	<p><i>Equity at transition:</i> No effect.</p> <p><i>Equity at 30 June 2005:</i> Decrease in retained earnings of \$127,034, decrease in Outside Equity Interests of \$31,987 and a corresponding increase in reserves of \$159,021.</p> <p><i>Profit for 30 June 2005:</i> Decrease in profits of \$159,021 and the profit attributable to minority interests decreased by \$31,987.</p>	<p><i>Equity at transition:</i> No effect.</p> <p><i>Equity at 30 June 2005:</i> Decrease in retained earnings of \$95,051 and an increase in reserves of \$159,021. \$63,970 represents the value of options issued to employees of a subsidiary company for which the parent entity is reimbursed.</p> <p><i>Profit for 30 June 2005:</i> Decrease in profits of \$95,051.</p>

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Restated Balance Sheet on adoption of AASB 132 and 139 as at 1 July 2005

	CONSOLIDATED			PARENT				
	AIFRS 30 June 2005	Notes	Adjustment	AIFRS 1 July 2005	Notes	AGAAP	Adjustment	AIFRS 1 July 2005
	\$		\$	\$		\$	\$	\$
CURRENT ASSETS								
Cash and cash equivalents	22,254,205		-	22,254,205		13,558,463	-	13,558,463
Trade receivables	16,362,406		-	16,362,406		8,075,099	-	8,075,099
Available-for-sale investments	-	(i)	6,005,075	6,005,075		-	-	-
Other financial assets	5,619,477	(i)	(5,619,477)	-		-	-	-
Other	357,531		-	357,531		56,929	-	56,929
TOTAL CURRENT ASSETS	44,593,619		385,598	44,979,217		21,690,491	-	21,690,491
NON-CURRENT ASSETS								
Trade receivables	216,366		-	216,366		1,087,984	-	1,087,984
Available-for-sale investments	-	(i)	213,561	213,561	(i)	-	5,959,510	5,959,510
Deferred income tax assets	305,694		-	305,694		316,446	-	316,446
Investments accounted for using the equity method	2,295,792		-	2,295,792		-	-	-
Plant and equipment	958,324		-	958,324		293,653	-	293,653
Intangible assets	1,646,139		-	1,646,139		-	-	-
Other financial assets	163,100	(i)	(163,100)	-	(i)	5,959,510	(5,959,510)	-
Other	315,685		-	315,685		182,235	-	182,235
TOTAL NON-CURRENT ASSETS	5,901,100		50,461	5,951,561		7,839,828	-	7,839,828
TOTAL ASSETS	50,494,719		436,059	50,930,778		29,530,319	-	29,530,319
CURRENT LIABILITIES								
Trade Payables	7,009,450		-	7,009,450		565,445	-	565,445
Provisions	4,749,682		-	4,749,682		24,110	-	24,110
Current tax liabilities	3,979,988		-	3,979,988		-	-	-
TOTAL CURRENT LIABILITIES	15,739,120		-	15,739,120		589,555	-	589,555
NON-CURRENT LIABILITIES								
Payables	61,072		-	61,072		61,072	-	61,072
Deferred tax liability	-	(ii)	130,818	130,818		-	-	-
TOTAL NON-CURRENT LIABILITIES	61,072		130,818	191,890		61,072	-	61,072
TOTAL LIABILITIES	15,800,192		130,818	15,931,010		650,627	-	650,627
NET ASSETS	34,694,527		305,241	34,999,768		28,879,692	-	28,879,692
EQUITY								
Parent entity interest in equity								
Contributed equity	22,012,557		-	22,012,557		22,012,557	-	22,012,557
Reserves	159,021	(i), (ii)	305,241	464,262		-	-	-
Retained earnings	9,226,366		-	9,226,366		6,867,135	-	6,867,135
Total parent entity interest in equity	31,397,944		-	31,703,185		28,879,692	-	28,879,692
Minority interests	3,296,583		-	3,296,583		-	-	-
TOTAL EQUITY	34,694,527		305,241	34,999,768		28,879,692	-	28,879,692

Notes to the Financial Statements

30 JUNE 2006

27. TRANSITION TO AIFRS (Cont.)

Restated Balance Sheet on adoption of AASB 132 and 139 as at 1 July 2005 (Cont.)

Ref	Item	AGAAP	AIFRS	Impact	
				Consolidated	Parent
(i)	Available for sale investments	Listed and unlisted securities were held at lower of cost and net realisable value and classified as other financial assets	Under AASB 139, these are classified as available-for-sale and carried at fair value. Movements in fair value are accounted for in equity	<p>Reclassification of \$5,619,477 from other financial assets (current) to current available-for-sale investments. Increase in available-for-sale investments of \$385,598 on remeasurement of investments to from cost to fair value.</p> <p>Reclassification of \$163,100 from other financial assets (non-current) to current available-for-sale investments. Increase in available-for-sale investments of \$50,461 on remeasurement of investments to from cost to fair value.</p> <p>The effect of these transactions is recognised in a fair value reserve.</p>	Reclassification of \$5,959,510 from other financial assets to available-for-sale investments.
(ii)	Deferred tax liabilities and assets	Deferred tax liabilities and assets were determined under the income statement approach.	AASB 112 Income Taxes requires the balance sheet method to be used, which recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.	<p>Increase in deferred tax liabilities of \$130,818 on remeasurment of available for sale financial assets.</p> <p>The effect of these transactions is recognised in a fair value reserve.</p>	No effect

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 2006 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 2006.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'M Fitzpatrick', is written over a light blue horizontal line.

M Fitzpatrick
Chairman

Sydney, 4 September 2006

Independent audit report to members of Treasury Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Treasury Group Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

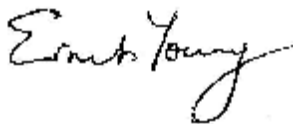
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included 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.

Audit opinion


In our opinion:

the financial report of Treasury Group Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Treasury Group Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



A.J (Tony) Johnson
Partner
Melbourne
4 September 2006

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 2006).

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	1,170	773,689
1,001	–	5,000	1,107	2,494,254
5,001	–	10,000	116	861,958
10,001	–	100,000	93	3,029,363
100,001		and over	26	14,957,327
			2,512	22,116,591
The number of shareholders holding less than a marketable parcel of shares are:			17	440

(b) Twenty largest shareholders (as at 21 August 2006)

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	AKAT Investment Pty Ltd	3,345,000	15.1%
2	Squitchy Lane Holdings Pty Ltd	2,401,500	10.9%
3	Mini Investment Pty Ltd	1,460,000	6.6%
4	Top Pocket Pty Ltd	1,041,099	4.7%
5	JP Morgan Nominees Australia Limited	773,579	3.5%
6	ANZ Nominees Limited	772,615	3.5%
7	Citicorp Nominees Pty Limited	702,954	3.1%
8	Westpac Custodian Nominees Limited	555,055	2.5%
9	Mr David Cooper	433,000	2.0%
10	National Nominees Limited	429,316	1.9%
11	RBC Dexia Investor Services Australia Nominees Pty Limited	375,000	1.7%
12	Banson Nominees Pty Ltd	370,313	1.7%
13	Leyland Limited C/- Equity Trustees Limited	357,450	1.6%
14	Perpetual Trustees Consolidated Limited	333,846	1.5%
15	HFM Investments Pty Ltd	250,000	1.1%
16	Australia Executor Trustees NSW Limited (Tea Custodians Limited)	244,500	1.1%
17	Cogent Nominees Pty Ltd	221,656	1.0%
18	Queensland Investment Corporation C/- National Nominees Limited	207,556	0.9%
19	Mr Peter Bancroft	191,590	0.9%
20	IFAN Pty Ltd	151,000	0.7%
		14,617,029	66.0%

ASX Additional Information

(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.