

Monday, 4 September 2006

## TREASURY GROUP ANNOUNCES 25% LIFT IN DIVIDEND

Treasury Group (ASX: TRG) today announced a consolidated net profit after tax of \$14.40 million for the financial year to 30 June 2006, up 14% on the previous year. Revenues increased 16% primarily due to a 17% increase in average funds under management within the fund management businesses that are consolidated.

Total funds under management (FUM) at 30 June 2006 totalled \$10.1 billion, an increase of \$1.47 billion or 16.9% on the previous year. Orion Asset Management was a major contributor to this performance increasing its FUM by over 50 percent in the last 12 months.

Treasury Group has declared a final dividend of 32 cents per share to be paid on 13 October 2006, fully franked. This brings the full year dividend to 50 cents per share fully franked, an increase of 25% on the previous year's dividend of 40 cents.

Treasury Group Managing Director, David Cooper said, "This past year has been one of consolidation. We have strengthened the business internally and are refining our strategy in readiness for our next phase of growth."

\$M	12 months to 30 June		
	2006	2005	% Change
Total revenue	51.63	44.50	+16.0
Net profit after tax	14.40	12.60	+14.3
Basic earnings per share	65.4 cents	60.4 cents	+8.3
Dividend per share (fully franked)	50.0 cents	40.0 cents	+25.0

### HIGHLIGHTS OF THE 2006 YEAR

- Net Profit after Tax increased 14% to \$14.4 million
- Final fully franked dividend declared of 32 cps, resulting in a 25% increase in the full year dividend of 50 cps (40 cps, 2005)
- First full year of operation for GVI and TAAM – funds focused exclusively on investing in international equities
- Appointment of a new Managing Director to Treasury Group Investment Services (TIS), the subsidiary that provides managers with all support services including risk and compliance services as well as a Responsible Entity function
- Strong growth in funds under management recorded by Orion Asset Management and Confluence Asset Management
- Established RARE Infrastructure, a fund that will invest in listed infrastructure assets globally (launched on 4 July 2006)
- Entered into a contract to sell its 50% interest in Armytage private Limited for \$3 million (executed on 11 July 2006).

## Financial Summary and Analysis

\$M	12 months to 30 June		
	2006	2005	% Change
<b>Revenue – continuing operations</b>	<b>51.63</b>	<b>44.50</b>	<b>+16.0</b>
EBITDA – continuing operations	29.74	29.01	+2.5
Depreciation	(0.35)	(0.21)	+66.6
<b>EBIT (pre associates)</b>	<b>29.39</b>	<b>28.80</b>	<b>+2.0</b>
Interest received	1.29	1.27	+1.6
Equity share of associates profit	4.17	1.86	+124.2
<b>Profit before tax</b>	<b>34.85</b>	<b>31.93</b>	<b>+9.1</b>
Tax expense	(9.24)	(8.95)	+3.2
<b>Profit after tax – continuing operations</b>	<b>25.62</b>	<b>22.98</b>	<b>+11.5</b>
Profit after tax - discontinued operations	0.53	0.81	-34.5
Minority interests	(11.75)	(11.19)	+5.0
<b>Net profit after tax</b>	<b>14.40</b>	<b>12.60</b>	<b>+14.3</b>
<b>Diluted earnings per share (cents)</b>	<b>63.66</b>	<b>58.12</b>	<b>+9.5</b>
Basic earnings per share (cents)	65.39	60.37	+8.3
<b>Dividend per share (fully franked)</b>	<b>50 cents</b>	<b>40 cents</b>	<b>+25.0</b>
<b>Payout ratio</b>	<b>76.8%</b>	<b>69.5%</b>	<b>+10.5</b>

### Revenue

Revenue from continuing operations of the Group increased 16% from \$44.5m to \$51.63m and reflects the consolidation of results of its 100% owned subsidiary Treasury Group Investment Services as well as three fund managers in which TRG has a stake of 50% or more. These include the following:

Fund Manager	TRG Interest
Investors Mutual Limited	50%
Global Value Investors Limited	67%
Treasury Asia Asset Management Limited*	47%

\* The 47% investment in TAAM is also consolidated due to TRG's control of the board.

The increase in revenue is due to an increase in the average FUM for the three fund managers of \$5.03b in 04/05 to \$5.9b in 05/06.

### Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA (pre associates) increased by 2.5% over the year reflecting the following:

1. Losses from new boutiques that were set up in late 04/05 and in early 05/06 were approximately \$1.4 million for the full year. Both of these fund managers are now well established with 10 full time investment professionals employed. Management is pleased with the progress achieved to date in each business and expects much improved results in 06/07.

2. Costs within the TRG Head Office include around \$470,000 relating to executive search fees and one off redundancy payments for senior staff.
3. An increase in staff within TRG/TIS including a new Managing Director of TIS as well as additional staff to meet the increasing workload through the addition of new fund managers to the Group.
4. An increase in expenses at Investors Mutual Limited due to the recruitment of additional investment, sales and senior staff.

## Pre- tax Profit

Profit before tax grew by 9% thanks to strong growth in the share of profits from associates, which increased year on year by \$ 2.3 million or 124% due mainly to very strong growth and performance from Orion.

TRG equity accounts those entities in which its interest is less than 50%. As at 30 June 2006 these included:

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

## Income Tax

The effective tax rate fell slightly from 28% in the prior year to 26.5% reflecting recognition of future tax benefits due to the start up losses in TAAM and GVI.

## Discontinued Operations

TRG's 50% interest in Armytage private Limited (ApL) is treated as a discontinued operation as a consequence of its having entered into a contract to sell its interest on 11 July 2006. The profit on the sale of the shares in ApL will be recognised in the results for the year ended 30 June 2007.

Armytage's contribution to TRG's profit after tax declined by 35% from \$0.81m to \$0.53m in 2006.

## Earnings per share

Basic earnings per share (eps) increased 8% from 60.4 cents to 65.4 cents, reflecting the improved performance mentioned above as well as an increase in shares on issue to 22,075,258 as a result of the exercise of options. The weighted average number of shares on issue increased 5.5% from 20.878m to 22.022m shares.

Diluted eps (including options yet to be exercised) increased 9% from 58.1 cents to 63.7 cents.

## Cash Flow

Net operating cash flow increased 15.5% to \$23.5 million. During the year the Group paid \$21.9m in dividends of which Treasury Group paid \$9.93 million. Two further investments in Orion were made totaling \$4.2 million and an additional \$2.0m was invested in funds managed by group members to seed new funds. Cash balances at year end declined by \$1.8 million or 8% to \$20.46 million. The Group does not carry any debt.

## Dividend

On 4 September, directors declared a 32 cents per share (cps) fully franked dividend taking the total dividend for the financial year to 50 cps. This represents a 25% increase on the prior year dividend of 40 cps and a lift in the payout ratio from 69.5% to 76.8% of earnings.

The final dividend will be paid on 13 October 2006.

## Review of Operations

### *Treasury Group Investment Services (TIS) - 100% owned at 30 June*

TRG through TIS provides its managers and a listed investment company (Premium Investors) with risk and compliance services as well as a Responsible Entity function. During the year its capability was bolstered to meet the demands of an increased number of businesses as well as the growing complexity of the compliance and regulatory framework. TIS is now managed by a dedicated Managing Director, Christine Feldmanis, who was appointed in October 2005. The Group also bolstered its compliance staff in order to meet the increased workload through the addition of new fund managers to the Group.

### *Investors Mutual Limited - 50% owned at 30 June 2006*

IML's funds under management declined slightly from \$5.5bn to \$5.4bn over the year reflecting the loss of some institutional mandates. 2006 saw the launch of a new product suite by Sandhurst Trustees, the "Sandhurst Professional Series", with three of the four funds exclusively managed by IML.

### *Orion Asset Management Limited - 42% owned at 30 June 2006*

Orion's strong investment performance continued for the third year in a row and Orion's funds under management increased 52% to \$4.1bn.

During the year Orion gained new institutional mandates and consolidated its retail alliance with Challenger Financial Services.

### *Confluence Asset Management - 35% owned at 30 June 2006*

Confluence is a small companies specialist and during the year increased its funds under management by 32% to \$233m. New products are planned for 2006/2007.

*Global Value Investors Limited - 67% owned at 30 June 2006*

GVI has been highly successful in gaining access to a range of major retail platforms as well as other financial planning relationships including Asgard, Navigator, Bridges, BT and Macquarie wraps.

GVI is now well established in the retail market and over the past year, funds under management have increased to over \$200m and investment performance has been very encouraging, exceeding the broader MSCI benchmark.

*Treasury Asia Asset Management Limited - 47% owned at 30 June 2006*

Established in July 2005, TAAM has gained representation on two high profile retail platforms – MLC Masterkey and BT Wrap. Although still in its formative year, TAAM marketed actively to the institutional market both domestically and offshore. Due diligence by the major international asset consultants is all but complete and, with investment performance being strong, we are very encouraged with TAAM's development to date and we expect significant growth in 06/07.

## **Events Post Balance Date**

- **Sale of Armytage Private**

On 11 July, 2006, TRG entered into a contract to sell its 50% stake in Armytage private Limited (ApL) for \$3 million. At 30 June 2006, the carrying value of the investment in ApL was approximately \$300,000. ApL is akin to a private client advisory business which we viewed as non core to TRG's current strategy.

Armytage represented less than 1% of Treasury Group's earnings and its profitability is heavily dependent on earning performance fees. The profit on sale of the shares in ApL will be recognised in the results for the year ended 30 June 2007 with sale proceeds payable in three equal instalments over two years.

- **Establishment of RARE Infrastructure**

Established at the end of the 2006 financial year, RARE Infrastructure's investment focus is in listed and unlisted investments in global infrastructure securities. RARE's business objective is to capitalise on the development of infrastructure as a separate and distinct asset class and to provide investors with superior Risk Adjusted Returns to Equity.

Following its launch in July 2006, the RARE team has been responding to a high level of interest from all major asset consultants. Institutional investors, both locally and offshore, will form the main target market although retail investors are also expected to be a potential source of growth as advisers increasingly seek to diversify their clients' exposure away from traditional asset classes. Early interest from the local institutional market has been strong as the nature of returns from this asset class is well suited to pension fund assets and retirement savings in general.

## The Year Ahead

A feature of the past twelve months has been our efforts in attracting interest from international investors for TAAM and GVI. We expect this activity to accelerate as RARE builds its profile offshore and as we continue to support the marketing efforts of all our boutique managers. As part of this process we expect to be launching Dublin based funds for European investors which are scheduled to be operational by early 2007.

Domestically we are confident that our more established fund managers, Orion and Confluence, will continue to receive strong support from the market. We also believe that following three years of bull markets in Australia, market conditions will be more suited to value managers such as IML going forward.

Strategically, we remain committed to the support and development of boutique fund managers and we remain on the look out for new managers to add to our stable in 2006/07. We have a number of opportunities on the drawing board that are currently being assessed.

At an industry level, recent enhancements to the retirement savings legislation will result in the funds management industry reaping greater benefits. This, and greater recognition of the performance of boutique fund managers, augurs well for Treasury Group's future.

**ENDS**

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