

Chairman's Address

Half year results to 31/12/2001

The first half of the financial year June 2002 was of great significance to the future of the company. Treasury Group Limited successfully achieved two major milestones that have significantly changed the profile of the company, and provided a platform for future growth.

The appointment of Mr. Rodney Green as Managing Director and the purchase of 50% of Investors Mutual Limited have enabled Treasury Group to become a recognised participant in one of Australia's fastest growing industries, the financial services and funds management industry.

During the half to 31 December 2001, the group significantly increased its revenues, absorbed the significant costs in completing the above milestones and generated a profit of \$77,817 (after tax and outside equity interests), before taking up the amortization of goodwill, which resulted in a net loss of \$16,683 being reported by the group.

The outlook for the second half, more particularly the calendar year, is encouraging. Investors Mutual, our major asset, has resourced itself up to be in a better position to continue its sound growth. To this end, we are pleased to advise shareholders that funds under management during the first half grew from \$350 million at 30th June 2001 to \$500 million, an increase of 43%. As at the end of February 2002, funds under management stood at \$640 million.

Monthly inflows across IML's financial adviser oriented products are well over original budgets struck when the business was purchased. With around 50% of Investors Mutual's business being adviser based, this forms a very solid platform for significant future growth. The institutional business has also shown good growth over this period as three new major client accounts were acquired. This has further diversified our client base and is an indication of broadening investor and asset consultant support.

Rodney Green, Anton Tagliaferro and all the team at Investors Mutual have done an excellent job. Investors Mutual's investment performance as an Australian equities Manager is strong over all periods since inception. This is an important indicator for future inflows and client support.

As a further testimony to Investors Mutual success, in January 2002 the prestigious research house Assirt, awarded a five star rating to the following Investors Mutual products:-

1. Investors Mutual Australian Smaller Companies Fund
2. Investors Mutual Australian Share Fund

This industry rating is an outstanding achievement for the Investors Mutual team and is further evidence of the all round strength of Investors Mutual.

Treasury Group would like to formally welcome Mr. Robert Kipp. Robert has assumed the role of Chief Financial Officer for Treasury Group, incorporating all of Treasury Group's investment companies.

The company's investment in Australian Value Funds Management Limited is also performing to expectations. This company manages a range of discrete investment portfolios on behalf of private and corporate clients.

Australian Value Funds Management Limited is putting in place the building blocks to further develop this young business, which grew its funds under management by 50% to \$26 million over the six months ended 31 December 2001.

As part of this building process the company recently appointed Ms. Lana Joyce as General Manager – Client Services & Business Development. Lana, who is a practicing Lawyer and holds a Master of Tax, was previously Fiduciary Manager at ANZ Trustees, and brings a wealth of experience to the Company.

Treasury Group is at an exciting stage of its growth and the dynamic nature of the industry is constantly providing further opportunities.

Whilst the market re-rating of our company is pleasing, as we stated in the address to our shareholders at our recent Annual General Meeting, consistent long term profit generation is the Board's key objective. This in turn will be driven by our ability to consistently grow profitable funds under management keeping in mind the needs of our clients. In order to allow current and potential shareholders to be informed and track our progress we are intending to report Group funds under management on a quarterly basis, quite separate from any other reports or results releases.

We are focussed on managing our product mix, creating diversification in our investments, and delivering long term consistent investment performance to our clients. We are not interested in growth for growth's sake or short term gains in investment performance. We are building a viable and profitable long term business.

The Board believes that we have created the platform to begin to achieve these objectives.