

## **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 30<sup>th</sup> 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.

# **TREASURY GROUP LIMITED**

**A.C.N 006 708 792**

**HALF-YEARLY REPORT  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2001**

**TREASURY GROUP LIMITED**  
**ACN 006 708 792**

**DIRECTOR'S REPORT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2001**

The Board of Directors of Treasury Group Limited ('Company') submit the following report with the Consolidated Financial Report of Treasury Group Limited and its controlled entities ('Group') for the six months ended 31 December 2001 ('The Period').

**DIRECTORS**

The persons who have been Directors of the company during the period and until the date of this report are as follows:

<b>Name</b>	<b>Period of Directorship</b>
Michael de Tocqueville	27/10/98 - Continuing
Lee Darion Iafrate	05/05/99 - Continuing
Timothy Michael Poole	06/05/99 - Continuing
Rodney Green	14/11/01 - Continuing

**REVIEW OF OPERATIONS**

The principal activities of the Company during the period was the proposal and subsequent approval by shareholders of a strategic investment in a funds management company, Investors Mutual Ltd. Other activities included, investments in securities listed on the Australian Stock Exchange through a wholly owned subsidiary, Treasury Capital Management Pty Ltd, and a 20% interest in the discretionary investment manager, Australian Value Funds Management Ltd. The company also holds a 25% interest in Group Funds Management Pty Ltd.

**RESULTS OF OPERATIONS**

The group generated an operating profit of \$77,817, (after income tax expense and outside equity interests) before taking up the amortization of goodwill, which resulted in an operating loss for the six month period of \$16,683.

**DIVIDEND**

No dividend is to be paid for the six month period ended 31 December 2001.

**INVESTORS MUTUAL LIMITED (IML)**

As a part of the acquisition of a 50% interest in Investors Mutual Ltd, staff of IML had the opportunity of subscribing for 1,000,000 options in Treasury Group Ltd. As at the date of this report, IML staff have elected to take up their options and will be issued their option certificates accordingly.

This report has been signed in accordance with a resolution of directors made on the March 2002.



**L. Iafrate**  
Chairman

**TREASURY GROUP LIMITED**  
**ACN 006 708 792**

**DIRECTOR'S DECLARATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2001**

The directors of the company declare that:

1. The financial statements and notes
  - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Act 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2001 and its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made on the March 2002.



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**L. Iafrate**  
Chairman

**TREASURY GROUP LIMITED**  
**31 December 2001 Half-Yearly Accounts**

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**Condensed Statement of Financial Performance**

For the half year ended 31 December 2001

	<b>Note</b>	<b>31-Dec-01</b>	<b>31-Dec-00</b>
		<b>\$</b>	<b>\$</b>
Profit from Ordinary Activities before income tax	2	10,449	91,408
Income tax relating to ordinary activities		(3,732)	-
Net Profit from Ordinary Activities after income tax expense		<u>6,717</u>	<u>91,408</u>
Net profit attributable to outside equity interests		<u>23,400</u>	<u>-</u>
Net (loss)/profit attributable to members of the parent entity		<u>(16,683)</u>	<u>91,408</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>6,717</u>	<u>91,408</u>
Basic Earnings per share (cents)		(0.13)	1.01
Diluted Earnings per share (cents)		0.01	1.01

**TREASURY GROUP LIMITED**

**31 December 2001 Half-Yearly Accounts**

**Condensed Statement of Financial Position**

As at 31 December 2001

	Note	31-Dec-01 \$	30-Jun-01 \$
<b>CURRENTS ASSETS</b>			
Cash Assets		1,258,222	917,615
Receivables		646,646	4,557
Investments		2,385,157	-
Tax Assets		19,180	-
Other current assets		110,890	-
<b>TOTAL CURRENT ASSETS</b>		<u>4,420,095</u>	<u>922,172</u>
<b>NON-CURRENT ASSETS</b>			
Receivables		49,074	-
Investments		-	1,187,834
Equity accounted investments		614,075	67,087
Property, Plant & Equipment		94,076	-
Intangibles		1,720,503	-
Other non-current assets		-	123
<b>TOTAL NON-CURRENT ASSETS</b>		<u>2,477,728</u>	<u>1,255,044</u>
<b>TOTAL ASSETS</b>		<u>6,897,823</u>	<u>2,177,216</u>
<b>CURRENT LIABILITIES</b>			
Payables		620,919	20,771
Borrowings		500,000	-
Provisions		58,933	45,310
Tax Liabilities		213,598	-
Other liabilities		13,331	545
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,406,781</u>	<u>66,626</u>
<b>NON CURRENT LIABILITIES</b>			
Borrowings		-	-
Provisions		-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>1,406,781</u>	<u>66,626</u>
<b>NET ASSETS</b>		<u>5,491,042</u>	<u>2,110,590</u>
<b>SHAREHOLDERS' EQUITY</b>			
Contributed equity		6,495,473	3,967,348
Accumulated Losses	3	(1,873,441)	(1,856,758)
Parent Entity Interest		4,622,032	2,110,590
Outside Equity Interest		869,010	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>5,491,042</u>	<u>2,110,590</u>

**TREASURY GROUP LIMITED****31 December 2001 Half-Yearly Accounts**

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**Condensed Statement of CashFlows**

	<b>31-Dec-01</b>	<b>31-Dec-00</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows relating to operating activities</b>		
Cash receipts from customers	2,154,988	-
Payments to suppliers and employees	(1,917,021)	(104,910)
Payment for shares in Listed Companies	(3,635,135)	(3,212,940)
Proceeds from sale of shares in Listed Companies	3,665,871	2,910,627
Interest received	35,991	48,192
Dividends received	15,311	6,510
Other Income	49,609	875
Income Tax refunded	88,741	-
<b>Net operating cash flows</b>	<u>458,355</u>	<u>(351,646)</u>
<b>Cash flows relating to investing activities</b>		
Payment for property, plant and equipment	(72,938)	-
Loan to Associate	(49,074)	-
Payments for investment in Subsidiary	(602,729)	-
Redemption of funds	112,928	-
<b>Net investing cash flows</b>	<u>(611,813)</u>	<u>-</u>
<b>Cash flows relating to financing activities</b>		
Proceeds from issue of shares	539,375	-
Dividends Paid	(45,310)	(45,310)
<b>Net financing cash flows</b>	<u>494,065</u>	<u>(45,310)</u>
<b>Net increase in cash held</b>	340,607	(396,956)
Cash at beginning of year	917,615	1,784,661
<b>Cash at end of financial year</b>	<u>1,258,222</u>	<u>1,387,705</u>

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

**TREASURY GROUP LIMITED****31 December 2001 Half-Yearly Accounts***NOTES TO AND FORMING PART OF THE ACCOUNTS***1 BASIS OF PREPARATION**

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2001 and any public announcements made by Treasury Group Limited and its subsidiaries during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those of the previous financial year and corresponding half-year.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

	<b>Economic Entity</b>	
	<b>31-Dec-01</b>	<b>31-Dec-00</b>
	\$	\$
<b>2 PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before income tax is arrived at after taking into account:		
(a) Share Trading Activities		
Proceeds on disposal of shares	3,665,871	2,910,627
Carrying amount of shares disposed	<u>(3,557,520)</u>	<u>(2,863,962)</u>
Gain on disposal	<u>108,351</u>	<u>46,665</u>
(b) Other revenues from ordinary activities		
Interest received	43,353	48,192
Management Fees	1,761,221	-
Dividends received	15,312	6,510
Distributions received	14,226	-
Other Income	<u>48,384</u>	<u>875</u>
	<u>1,882,496</u>	<u>55,577</u>
(c) Other expenses from ordinary activities		
Bad and Doubtful Debts		-
Depreciation and Amortisation of:		
- Plant & Equipment	(18,768)	-
- Goodwill	(94,500)	-
Other expenses	<u>(1,864,118)</u>	<u>(13,882)</u>
	<u>(1,977,386)</u>	<u>(13,882)</u>
(d) Share of associates net profit (loss)	<u>(3,012)</u>	<u>3,048</u>
<b>Profit from ordinary activities before income tax</b>	<u>10,449</u>	<u>91,408</u>

**TREASURY GROUP LIMITED****31 December 2001 Half-Yearly Accounts***NOTES TO AND FORMING PART OF THE ACCOUNTS*

	<b>Economic Entity</b>	
	<b>31-Dec-01</b>	<b>31-Dec-00</b>
	<b>\$</b>	<b>\$</b>
<b>3 ACCUMULATED LOSSES</b>		
Accumulated Losses at the beginning of the financial year	(1,856,758)	(1,881,506)
Net Profit after Income Tax	6,717	91,408
Dividends provided for or paid (Note 4)	-	(45,310)
Outside Equity Interests	<u>(23,400)</u>	<u>-</u>
	<u>(1,873,441)</u>	<u>(1,835,408)</u>
<b>4 DIVIDENDS PAID OR PROPOSED</b>		
Interim unfranked Ordinary Dividend	<u>-</u>	<u>45,310</u>
	<u>-</u>	<u>45,310</u>
<b>5 ACQUISITION OF SUBSIDIARIES AND ASSOCIATES</b>		

As reported in the annual financial report, the parent entity successfully completed the following acquisitions:

- (a) Treasury Group Ltd acquired 50% of the issued capital of Investors Mutual Ltd for a consideration of \$2,375,000. The purchase was satisfied by

- i) issue of 2,500,000 shares in the company  
ii) issue of 1,500,000 options to subscribe for shares in the company exercisable as follows

<u>No. of Options</u>	<u>Vesting Date</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
500,000	1 July 2002	\$0.65	1 July 2006
500,000	1 July 2003	\$0.65	1 July 2006
500,000	1 July 2004	\$0.65	1 July 2006

- iii) payment of \$1,000,000

- iv) The proposed issue of up to 1,000,000 employee options to subscribe for shares in the company exercisable as follows

<u>No. of Options</u>	<u>Vesting Date</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
333,333	1 July 2002	\$0.65	1 July 2006
333,333	1 July 2003	\$0.65	1 July 2006
333,334	1 July 2004	\$0.65	1 July 2006

- (b) Treasury Group Ltd acquired a 25% shareholding in Group Funds Management Ltd, for a consideration of \$550,000. The purchase was satisfied by the issue of 1,000,000 shares.
- (c) Treasury Group Ltd acquired a stockbroking agency business for a consideration of \$75,000. The purchase was satisfied by the issue of 150,000 shares.

**6 SEGMENT REPORTING**

The economic entity operates in one business segment, being Financial Services, solely in Australia.

**7 EARNINGS PER SHARE**

	<b>31-Dec-01</b>	<b>31-Dec-00</b>
	<b>cents</b>	<b>cents</b>
Basic earnings per share	-0.13	1.01
Diluted earnings per share	0.01	1.01
Weighted average number of shares used in the calculation of Basic Earnings Per Share	12,867,795	9,061,925

**8 CONTINGENT LIABILITIES**

The company has entered into an agreement with an associated entity to provide working capital to the associate, if required. The maximum amount of this facility is \$1,500,000. The terms and conditions of the agreement require the associate to repay any funds drawn down under the arrangement in full.

**9 SUBSEQUENT EVENTS**

There have been no significant events occurring after balance date, which may effect either the groups operations or results of those operations or the company's state of affairs.