

TREASURY GROUP LIMITED
A.B.N. 39 006 708 792

Half-year Financial Report

For the Six Months Ended
31 December 2002

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2002.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr L. IaFrate

Mr R. Green

Mr T. Poole

REVIEW AND RESULTS OF OPERATIONS

The principal activity of the group for the period was the provision of funds management services to institutions, retail and private clients through Investors Mutual Limited and Armytage private Limited. In addition the company has laid the foundation for the commencement of a third funds management business called Orion Asset Management (Aust) Pty Ltd (formally known as Group Funds Management Pty Ltd).

The group generated an operating profit from ordinary activities after income tax and outside equity interests of \$431,329 for the six month period ended 31 December 2002. This compares favourably with net operating loss of \$16,683, reported for the corresponding period ended 31 December 2001. Basic earnings per share has also increased from a loss of 0.13 cents per share to a profit of 3.0 cents per share for the corresponding periods.

Signed in accordance with a resolution of the directors.

L. IaFrate

Director

Melbourne, 14 February 2003

Condensed Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2002

	Notes	CONSOLIDATED	
		2002	2001
		\$	\$
REVENUES FROM ORDINARY ACTIVITIES	2	5,112,343	1,990,847
Other expenses from ordinary activities	2	(3,163,514)	(1,977,386)
Share of net profit / (loss) of associate accounted for using the equity method		3,191	(3,012)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		1,952,020	10,449
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		(704,462)	(3,732)
NET PROFIT		1,247,558	6,717
NET PROFIT ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		(816,229)	(23,400)
NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED		431,329	(16,683)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		431,329	(16,683)
Basic earnings per share (cents per share)		3.00	(0.13)
Diluted earnings per share (cents per share)		2.22	0.01
Franked dividends per share (cents per share)		-	-

Condensed Statement of Financial Position

HALF-YEAR ENDED 31 DECEMBER 2002

	CONSOLIDATED	
	AS AT 31 DECEMBER 2002 \$	AS AT 30 JUNE 2002 \$
CURRENT ASSETS		
Cash assets	4,692,182	2,829,168
Receivables	2,902,749	2,289,924
Other financial assets	2,197,565	2,166,289
Tax assets	84,389	24,442
Other current assets	291,371	125,220
TOTAL CURRENT ASSETS	10,168,256	7,435,043
NON-CURRENT ASSETS		
Investment accounted for using the equity method	-	542,545
Plant and equipment	267,533	248,021
Intangible assets	2,681,809	1,900,750
TOTAL NON-CURRENT ASSETS	2,949,342	2,691,316
TOTAL ASSETS	13,117,598	10,126,359
CURRENT LIABILITIES		
Payables	988,692	975,528
Provisions	198,568	377,563
Current tax liabilities	1,057,994	337,252
TOTAL CURRENT LIABILITIES	2,245,254	1,690,343
TOTAL LIABILITIES	2,245,254	1,690,343
NET ASSETS	10,872,344	8,436,016
EQUITY		
Total parent entity interest in equity		
Contributed equity	10,083,715	8,894,945
Accumulated losses	(1,307,942)	(1,739,271)
	8,775,773	7,155,674
Total outside equity interest	2,096,571	1,280,342
TOTAL EQUITY	10,872,344	8,436,016

Condensed Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2002

Notes

CONSOLIDATED
2002
\$

2001
\$

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	4,364,719	2,154,988
Payments to suppliers and employees	(3,365,118)	(1,917,021)
Payment for shares in listed companies	(1,532,350)	(3,635,135)
Proceeds from sale of shares in listed companies	1,503,626	3,665,871
Interest received	77,883	35,991
Dividend received	20,652	15,311
Others	10,873	49,609
Income tax (paid) / refunded	(18,766)	88,741

NET CASH FLOWS FROM OPERATING ACTIVITIES

1,061,519 458,355

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of plant and equipment	(78,184)	(72,938)
Proceed from disposal of plant and equipment	4,096	-
Purchase of short term deposits	(82,422)	-
Loan advanced to associate	(25,000)	(49,074)
Payments for investment in controlled entities	(52,834)	(602,729)
Proceeds from redemption of funds	-	112,928

NET CASH FLOWS USED IN INVESTING ACTIVITIES

(234,344) (611,813)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of ordinary shares	1,190,576	539,375
Payment of share issue costs	(1,806)	-
Advances from related party	150,000	-
Dividends paid	(302,931)	(45,310)

NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

1,035,839 494,065

NET INCREASE IN CASH HELD

1,863,014 340,607

Add opening cash brought forward

2,829,168 917,615

CLOSING CASH CARRIED FORWARD

4,692,182 1,258,222

Notes to the Half-Year Financial Statements

31 DECEMBER 2002

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Treasury Group Limited as at 30 June 2002. It is also recommended that the half-year financial report be considered together with any public announcements made by Treasury Group Limited and its controlled entities during the half-year ended 31 December 2002 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 “Interim Financial Reporting” and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those applied in the Annual Financial Report of Treasury Group Limited as at 30 June 2002.

Notes continued

31 DECEMBER 2002

Notes
CONSOLIDATED
 2002 2001
 \$ \$

2. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

(i) Revenues from ordinary activities

Fund management fees	4,831,883	1,761,221
Share trading ^(a)	17,605	108,351
Interest income	82,075	43,353
Dividend income	28,507	29,538
Commission income	9,393	48,384
Other income	142,880	-
	5,112,343	1,990,847

^(a) Share trading activities:

Proceeds on disposal of shares	1,503,626	3,665,871
Carrying amount of shares disposed	(1,486,021)	(3,557,520)
Gain on disposal of shares	17,605	108,351

(ii) Expenses

Depreciation and amortisation of:

Plant and equipment	55,891	18,768
Goodwill	55,770	94,500
Fund administration	401,993	136,745
Salaries and employee benefits	1,587,059	773,156
Other expenses	1,062,801	954,217
	3,163,514	1,977,386

Notes continued

31 DECEMBER 2002

3. CHANGE IN COMPOSITION OF ENTITY

On 11 November 2002, Treasury Group Limited acquired a further 75% of the voting share capital of Orion Asset Management (Aust) Pty Ltd (“Orion”), formerly known as Group Funds Management Pty Ltd, a former associated company incorporated in Australia specialising in wholesales fund management. As such, the group’s total interest in the voting share capital of Orion is 100% from that date. The 100% acquired entity is now consolidated in the Treasury Group Limited’s financial statements.

The components of the acquisition cost were:

	2002
	\$
Consideration	
- cash paid	127,199
- liability defeasance	73,785
- cash deferred	25,060
	<u>226,044</u>

The deferred cash settlement of \$25,060 represents the present value of the remaining consideration payable. The amount is included in Payables.

Net Assets acquired

- cash	54,365
- short term bank deposit	20,000
- sundry debtors	162
- GST refund	1,564
- fair value of net intangible	8,602
- payables	(18,363)
- sundry creditors	(455)
- non-current loan payable	(82,929)
	<u>(17,054)</u>
Less: Existing 25% equity interest	4,263
Fair value of net assets acquired	<u>(12,791)</u>
Goodwill arising on acquisition	238,835
	<u>226,044</u>

Net cash effect

Cash consideration paid	127,199
Cash included in net assets acquired	(74,365)
Cash paid for purchase of controlled entity	<u>52,834</u>

Notes continued

31 DECEMBER 2002

4. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

5. SEGMENT INFORMATION

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

6. SUBSEQUENT EVENTS

On 15 January 2003, Orion Asset Management (Aust) Pty Ltd (“Orion”) issued 402 fully paid ordinary shares to Tim Ryan, a newly appointed fund manager, resulting in Treasury Group Limited’s interest in the voting share capital of Orion decreasing to 19.9%. Under a Call Option arrangement, Treasury Group Limited is able to increase its shareholding to 49% over the following three years.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2002 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the 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.

On behalf of the Board

L. IaFrate
Director

Melbourne, 14 February 2003