

# Appendix 4E

## 1. Preliminary final report

Name of entity

Treasury Group Limited

ABN: 39 006 708 792

Report for the half-year ended 30 June 2004

## 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	up/down	161% to	A\$'000s \$30,741
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	up/down	440% to	\$6,271
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	up/down	440% to	\$6,271
<b>Dividends (<i>item 2.4</i>)</b>			
Fully franked interim dividend of 3.0 cents per share paid 25 March 2004. It is proposed to pay final fully franked dividends of 25.00 cents per share. Payment Date: 27 September 2004			
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	27 August 2004		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):  For the details, please refer to the attached Financial Report for the year ended 30 June 2004. Also, please see attached Chairman Address for detailed commentary.			

## 3. Dividends (*item 6*)

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2004	27 September 2004	\$4,470,648
Interim dividend – year ended 30 June 2004	25 March 2004	\$528,727

**3. Dividends (item 6) (Cont'd)**

**Amount per security**

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
<b>Final dividend:</b> Current year	25.00¢	100%	-¢
Previous year	3.00¢	100%	-¢
<b>Interim dividend:</b> Current year	3.00¢	100%	-¢
Previous year	0.00¢	-%	-¢

**4. Net tangible assets per security (item 9)**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	88.8¢	52.3¢

**5. The annual financial report is not subject to audit dispute or qualification.**  
(item 17)

**6. The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the attached 2004 annual report.**

**Periodic Disclosure Requirements Compliance Statement**

- 1 An annual report for the year ended 30 June 2004 is provided with the Appendix 4E information.
- 2 The annual report has been prepared in accordance with Australian Accounting Standards.
- 3 The annual report and information provided in Appendix 4E uses the same accounting policies as those applied at 30 June 2003.
- 4 The Appendix 4E information gives a true and fair view of the matters disclosed in the annual financial report.
- 5 The Appendix 4E information is based on the annual financial report, which has been subject to audit.
- 6 The audit report or review by the auditor is provided with the annual financial report.

Sign here: ..... Date: 18 August 2004  
(Company Secretary)

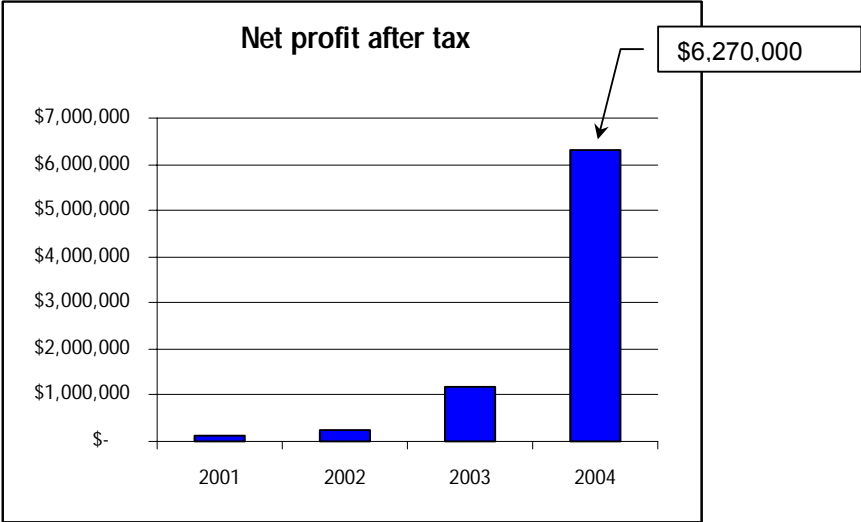
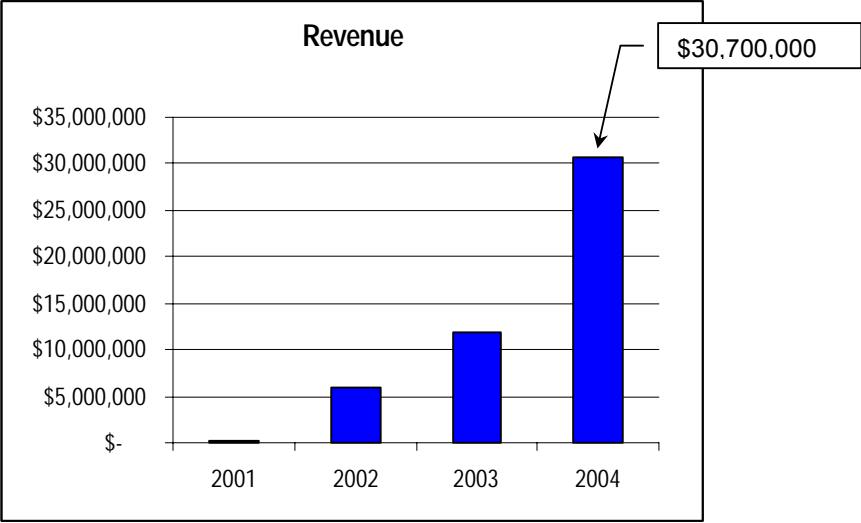
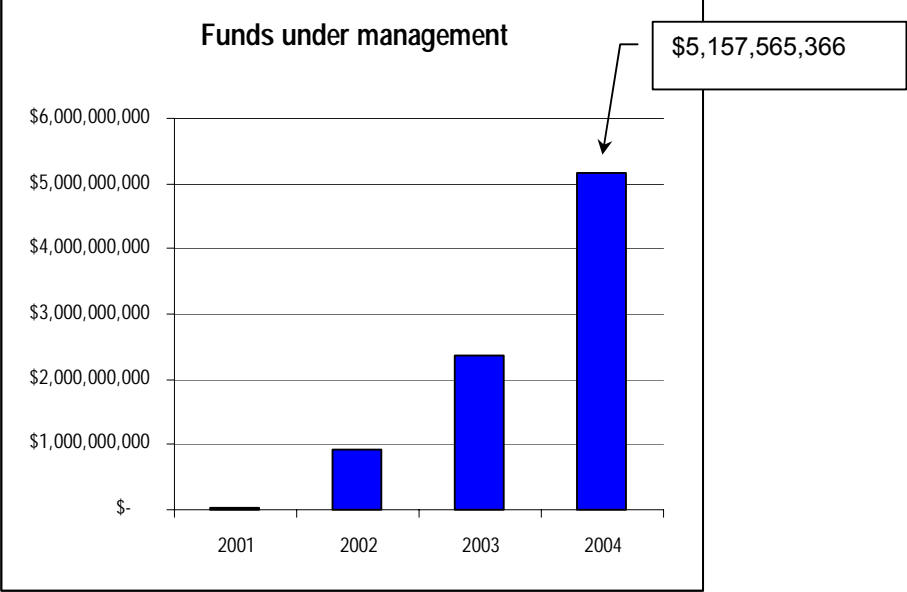
Print name: Robert Kipp

## Chairman's Report

The 2003/2004 financial year saw Treasury Group Limited achieve its goal of strong organic growth on top of two new investment initiatives. Treasury Group believes in providing shareholders with the payment of an attractive annual dividend stream combined with the maintenance of a strong balance sheet.





Here is how TRG performed in 2003/2004:

- Revenues grew from \$11.7 million to \$30.7 million, an increase of 162%.
- NPAT grew from \$1.2 million to \$6.3 million, a 440% increase on the previous year.
- Funds under management (FUM) increased from \$2.38 billion to \$5.10 billion, a rise of 114%.
- The Board of Directors paid a 3 cent dividend for the first half of the year and has declared a final fully franked dividend of 25 cents for the second half, making a total dividend of 28 cents per share for the full year.



David Cooper was appointed CEO of TRG with effect from July 2004. Rodney Green has moved to the role of Executive Director focussing on working within Investors Mutual, assisting new initiatives and offering guidance to our other fund managers.

TRG became a stronger, larger and more diversified company during 2003/2004. Our businesses performed strongly in terms of investment returns and growth in funds under management.

<b>Funds Under Management</b>	<b>30 June 2003</b>	<b>30 June 2004</b>
 <b>IML INVESTORS MUTUAL LTD</b>	\$2,316,933,723	\$4,339,449,356
 <b>ORION</b> asset management	\$13,530,000	\$677,090,821
 <b>Armytage</b>	\$45,900,000	\$113,470,943
 <b>confluence</b> ASSET MANAGEMENT LTD	N / A	\$27,554,246
<b>Total</b>	<b>\$ 2,376,363,723</b>	<b>\$5,157,565,366</b>

Investors Mutual Limited has continued to grow strongly throughout the past year with funds under management rising from just over \$2.3 billion at 30 June 2003 to over \$4 billion at 30 June 2004. This growth was consistent across both retail-sourced and institutional funds, with the business mix remaining at approximately one third institutional and two thirds retail-sourced. Despite achieving strong growth in funds under management, Investors Mutual has continued to carefully manage that growth. During the year the Future Leaders Fund was closed to new clients to protect investment performance whilst only select institutional mandates were tendered for.

Orion Asset Management Limited successfully grew its business from an early growth phase to an established, credible fund manager with nine institutional clients and a successful retail alliance with Challenger International. As at the end of June 2004, funds under management for Orion exceeded \$670 million, with potential commitments of over \$550 million to be funded in the near term.

Armytage private Limited, a niche player operating in the individual mandate segment, has continued to grow its private discretionary funds management business over the course of the financial year. Following on from last year's strong improvement, Armytage has increased funds under management by almost 250% to \$113 million. This growth has been from the attraction of additional clients as well as the support of existing investors increasing allocations to Armytage. Armytage benefited from its relationship with the private banking division of ANZ bank where it is one of two exclusively appointed fund managers for ANZ's high net worth clients.

Confluence Asset Management Limited was established in July 2003 and in its first year of operation has grown funds under management to \$27.5 million. Confluence focuses on smaller companies listed on the Australian Stock Exchange and uses a strong value and quality based investment approach.

In November 2003 Premium Investors Limited, a listed investment company, was floated on the Australian Stock Exchange raising over \$172 million in funds. Treasury Group Investment Services Limited has a 25 year management agreement with Premium Investors Ltd and has allocated the funds to Treasury Group entities for management. This exciting development gives Treasury Group another source of long term annuity revenue. Premium Investors has over 9000 shareholders and has performed very well since listing with all managers outperforming the benchmark.

Treasury Group's wholly owned subsidiary, Treasury Group Investment Services Limited (TIS) has now been in operation for over 18 months providing "back office" services in the areas of legal, compliance, risk management, accounting, human resources, IT and operations to the fund manager entities within the group. During the year, TIS was successful in obtaining a variation to its Australian Financial Services Licence to a "Kind of Scheme" licence, extending its scope in the provision of services.

The future continues to provide for organic growth from our outstanding fund managers and selective opportunities to expand the portfolio of investments. We continually assess new opportunities in all asset classes and we expect more opportunities come our way as the benefits provided by Treasury Group become better known and understood.

The directors are confident that the 2005 financial year will yield continued growth in Funds Under Management and continued net profit, which will be reflected in the expected growth of the Company's total dividend payments to shareholders.

Treasury Group Ltd is in a very solid financial position, which enables the company to participate in the continued growth of the financial services industry.



Lee laFrate  
Chairman

18 August 2004

Treasury Group Ltd

## Annual Report 2004

---

# Corporate Information

ABN 39 006 708 792

## Directors

L.D.P. IaFrate (Chairman)  
R. Green  
T. Poole  
P. Kennedy

## Chief Executive Officer

D. Cooper

## Chief Financial Officer & Company Secretary

R. Kipp

## Group Accountant

H. Lam

## Registered Office

Level 16  
90 Collins Street  
Melbourne, Victoria, 3000  
Phone (03) 9671 - 3667  
Facsimile (03) 9639 - 0311

## Sydney Office

Level 10  
275 George Street  
Sydney, NSW, 2000  
Phone (02) 8243 - 0400  
Facsimile (02) 8243 - 0410

## Solicitors

Norton Gledhill

## Bankers

Westpac Banking Corporation

## Share Register

Computershare Investor Services Pty Ltd  
452 Johnston Street  
Abbotsford, Victoria, 3067  
(03) 9415 5000

## Auditors

Ernst & Young

## Internet Address

[www.treasury-group.com](http://www.treasury-group.com)

## Contents

<b>Directors' Report</b> .....	<b>4</b>
<b>Corporate Governance Statement</b> .....	<b>12</b>
<b>Statement of Financial Performance</b> .....	<b>20</b>
<b>Statement of Financial Position</b> .....	<b>21</b>
<b>Statement of Cash Flows</b> .....	<b>22</b>
<b>Notes to the Financial Statements</b> .....	<b>23</b>
Note 1 - Summary of Significant Accounting Policies.....	23
Note 2 - Revenue from Ordinary Activities .....	27
Note 3 - Expenses and Losses .....	28
Note 4 - Income Tax.....	29
Note 5 - Dividends Paid or Provided For on Ordinary Shares.....	30
Note 6 - Receivables (Current).....	31
Note 7 - Other Financial Assets (Current).....	31
Note 8 - Other Current Assets .....	32
Note 9 - Receivables (Non-Current).....	32
Note 10 - Other Financial Assets (Non-Current).....	32
Note 11 - Investments Accounted for Using the Equity Method.....	33
Note 12 - Interests in Subsidiaries .....	34
Note 13 - Plant and Equipment .....	35
Note 14 - Intangibles Assets.....	36
Note 15 - Other Current Assets .....	36
Note 16 - Payables (Current).....	36
Note 17 - Provisions (Current) .....	37
Note 18 - Payables (Non-Current).....	37
Note 19 - Contributed Equity .....	37
Note 20 - Retained Earnings / (Accumulated Losses).....	38
Note 21 - Outside Equity Interest.....	38
Note 22 - Statement of Cash Flows.....	39
Note 23 - Expenditure Commitments.....	41
Note 24 - Employee Entitlements and Superannuation Commitments.....	42
Note 25 - Subsequent Events.....	45
Note 26 - Earnings Per Share .....	45
Note 27 - Director and Executive Disclosures.....	46
Note 28 - Auditors' Remuneration .....	49
Note 29 - Related Party Disclosures.....	50
Note 30 - Segment Information .....	51
Note 31 - Financial Instruments .....	52
Note 32 - Impact of Adopting AASB Equivalents to IASB Standards.....	55
<b>Directors' Declaration</b> .....	<b>56</b>
<b>Independent Audit Report</b> .....	<b>57</b>
<b>ASX Additional Information</b> .....	<b>58</b>

## Directors' Report

Your directors submit their report for the year ended 30 June 2004.

### 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

**Lee Darion Peter IaFrate**, (Chairman) B.Bus (Acc) Grad. Dip of App. Fin. and Inv., FCPA, FSIA

L. IaFrate, joined the board on 5 May 1999, has over 20 years experience in sharebroking, predominantly focusing on corporate and institutional broking, i.e. mergers and acquisitions, capital raisings and corporate advisory. Mr L. IaFrate is also the Chairman of Armytage private Ltd.

**Rodney Green**, (Executive Director) Aust Chartered Accountant & Associate Member of Securities Institute

R. Green, joined the board on 14 November 2001, has over 27 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.

**Timothy Michael Poole**, (Non Executive Director) B.Com, ACA

T. Poole, joined the board on 6 May 1999, has been involved in the financial services industry for more than 14 years. He is currently a Director with the alternative investment firm Hastings Funds Management Limited, where Tim is responsible for the operation of the Hastings private equity business. Mr T. Poole is also a member of the audit committee.

**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 a member of the audit committee.

### COMPANY SECRETARY

**Robert Kipp**, B.Bus (Acc) B.Bus (Mark) F.C.P.A M.A.I.C.D.

R Kipp has been the company secretary and Chief Financial Officer (CFO) of Treasury Group Limited for 3 years. Mr R. Kipp has over 18 years commercial experience and prior to joining Treasury Group Ltd has held several senior positions in finance including senior partner in public practice.

## Directors' Report continued

### 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
L.D.P. IaFrate	1,724,000	250,000
R. Green	2,405,000	460,000
T.M. Poole	32,000	-
P.R. Kennedy	-	-

### EARNINGS PER SHARE

	Cents
Basic earnings per share	37.2
Diluted earnings per share	31.8

### DIVIDENDS

	Cents	\$
Final dividend recommended: on ordinary shares (fully franked)	25.0	<u>4,470,648</u>
Dividend paid in the year: <i>Interim for the year</i> on ordinary shares (fully franked)	3.0	<u>528,728</u>
<i>Final for 2003 shown as recommended in the 2003 report</i> on ordinary shares (fully franked)	3.0	<u>498,663</u>

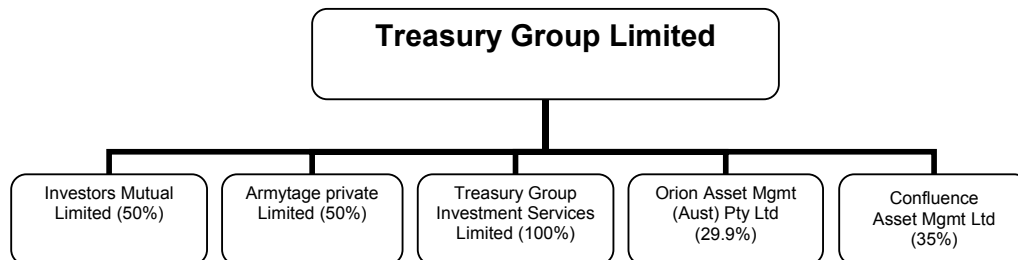
## Directors' Report continued

### CORPORATE INFORMATION

#### Corporate structure

Treasury Group Limited 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:

### Treasury Group Limited Corporate Structure



- (i) Orion Asset Management (Aust) Pty Ltd (“Orion”) is not a controlled entity, it 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 19.9% to 29.9%, this change became effective from 1 July 2004).
- (ii) Confluence Asset Management Ltd became an associate since 10 July 2003. Its financial result is included on an equity accounting basis during the financial year.

#### 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 40 employees as at 30 June 2004 (2003: 32 employees).

# Directors' Report continued

## REVIEW AND RESULTS OF OPERATIONS

### Group Overview

#### Funds Management

Investors Mutual Limited provides a funds management capability to both corporate investors and the retail community. The consolidated entity holds 50% of the issued capital of the company. Investors Mutual Limited has been awarded best Australian Equities Fund Manager for the consecutive years of 2002 and 2003 by Money Management/ASSIRT.

Armytage private Ltd currently provides a professional investment service to high net worth professional investors, family entities, superannuation funds and institutions, on a mandated discretionary basis. In addition Armytage has also entered into a 15 year services agreement with Australian Value Funds Management Ltd to provide funds management services. The consolidated entity holds 50% of share capital of Armytage private Ltd.

Orion Asset Management Ltd, a wholly-owned controlled entity of Orion Asset Management (Aust) Pty Ltd, officially commenced operation as a fund manager from February 2003. It provides funds management services to a range of institutions. At the date of this report, the consolidated entity holds 29.9% of the issued capital of its parent company and has equity accounted for this investment taking up a loss of \$71,116 in respect of its interest in this entity. Treasury Group Ltd holds calls options allowing the interest in Orion to increase 49%.

Confluence Asset Management Ltd is a funds management business which specialises in the small business capitalisation segment of the funds management industry. Treasury Group Limited holds 35 % of the issue capital of Confluence Asset Management Ltd. This investment has been equity accounted for taking up a loss of \$27,476 in respect of its interest in this entity, which was within budgeted expectation for a business in its start up phase of operations.

#### 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 newly listed investment company, Premium Investors Limited, which received \$172.1 million in subscriptions and 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 \$6,270,888 (2003: \$1,161,572).

### 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.

	2004	2003	2002	2001
Basic earning per share (cents)	37.2	8.0	2.2	1.3
Diluted earnings per share (cents)	31.8	6.0	1.7	1.3

### 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 establishment and 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.

## Directors' Report continued

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 10 July 2003, Treasury Group Limited entered into an agreement with Mr Campbell Boag, in which Treasury Group Limited acquired 35% of the issued capital of Confluence Asset Management Ltd. Confluence Asset Management Ltd is a newly established funds management business which specialises in the small capitalisation segment of the funds management industry. Mr Boag and his investment team hold the other 65% of issued capital. Mr Boag is a highly respected fund manager within the financial services industry and is the Managing Director of Confluence Asset Management Ltd.

In November 2003 Treasury Group Investment Services Ltd a wholly owned subsidiary of Treasury Group Ltd entered into a 25 year investment management agreement with a listed investment company. In addition to investment services the agreement also requires for the provision of executive and administrative services to the entity.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 July 2004, Treasury Group Limited exercised one of four tranches of call options and acquired a further 10% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$100,000. This increased the total equity from 19.9% to 29.9%.

Except the matter disclosed above, there have been no other significant events which have occurred subsequent to 30 June 2004

### 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.

### 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.

### SHARE OPTIONS

#### Unissued shares

As at the date of this report, there were 5,218,334 unissued ordinary shares under options (5,472,333 at reporting date). Further details of the options outstanding to employees are included in Note 24 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 2,786,333 fully paid ordinary shares of Treasury Group Limited at a weighted average exercise price of \$0.79. Since the end of the financial year, a further 253,999 options have been exercised at a weighted average exercise price of \$1.73.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Since the end of the financial year 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;
- (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.

During the financial year, the company has paid an insurance premium of \$15,318 in respect of a contract insuring officers of the company against a liability which may be incurred in that person's capacity as an officer of the company.

## Directors' Report continued

### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

#### Remuneration policy

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive Officer 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.

Details of the nature and amount of each element of the emolument of each director of the company and each of the four executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

#### Emoluments\* of directors of Treasury Group Limited

	<u>Annual Emoluments</u>			<u>Long Term Emoluments</u>					
	Salary \$	Bonus \$	Directors Fees \$	Termin- ation & Similar Payments \$	Options Granted <sup>@</sup>		Super- annuation \$	Total \$	
					Number	% of Remune- ration			
L.D.P. IaFrate Chairman	33,761*	150,000*	41,284	-	-	-	-	6,755	231,800
R. Green Executive Director	365,100	-	-	-	-	-	-	9,900	375,000
T. Poole Non Executive Director	-	-	27,523	-	-	-	-	2,477	30,000
P. Kennedy Non Executive Director	-	-	30,000	-	-	-	-	-	30,000

\* Remuneration which relate to entities other than Treasury Group Ltd.

#### Emoluments\* of the five most highly paid executive officers<sup>#</sup> of the company and the consolidated entity

Name and Position	<u>Annual Emoluments</u>			<u>Long term Emoluments</u>				
	Base Fee \$	Bonus \$	Other \$	Termin- ation & Similar Payments \$	Options Granted <sup>@</sup>		Super- annuation \$	Total \$
					Number	\$		
D. Cooper C.E.O. Treasury Group Ltd	229,357	125,000	-	-	-	487,583	25,142	867,082
C. Byrne C.O.O. IML	211,498	184,375	-	-	-	74,667	11,002	481,542
G. Putt C.O.O. Treasury Group Ltd	152,317	-	-	-	300,000	253,404	13,708	419,429
C. McComb Armytage Investment Director	81,697	120,000	-	-	-	73,100	7,352	282,149
R. Kipp C.F.O. Treasury Group Ltd	170,100	50,000	-	-	15,000	33,162	13,233	266,495

# Directors' Report continued

## DIRECTORS' AND OTHER OFFICERS' EMOLUMENT CONTINUED

### Remuneration policy continued

#### 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.
- # Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

The company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2003. 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 27. of the financial statements.

## Directors' Report continued

### 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	Meeting	Audit Committee Meetings *	Remuneration Committee Meetings	Nomination Committee Meetings
<b>Number of meetings held:</b>	11		1	2	1
<b>Number of meetings attended:</b>					
L. IaFrate	11		-	-	1
R. Green	11		-	2	1
T. Poole	7		1	2	-

\* The audit committee was reconstituted on the 4<sup>th</sup> May 2004 in accordance with a board resolution in relation to the ASX principles of good corporate governance. Previous to this date all board members performed the function of the audit committee and had two meetings with the external auditors during the financial year prior to the newly formed audit committee.

### 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:

<b>Audit</b>	<b>Remuneration</b>	<b>Nomination</b>
T. Poole (c)	P. Kennedy (c)	L. IaFrate (c)
P. Kennedy	T. Poole	R. Green
	R. Green	

### 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.

Signed in accordance with a resolution of the directors.



L. IaFrate  
Director

Melbourne, 18 August 2004

## 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. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place for the entire reporting period, we have identified when such policies or committees were introduced.

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/about/CorporateGovernance\\_AA2.shtm](http://www.asx.com.au/about/CorporateGovernance_AA2.shtm).

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 Poole and Mr Kennedy are Non-Executive Directors. In addition to being Non-Executive Directors, Mr Poole and Mr Kennedy 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 IaFrate is a Non-Executive Director & Chairman of the Company, but is also an Executive Director of Armytage private Ltd and is a major shareholder of the Company, as such he does not meet the Company's criteria for independence. However, as one of the founders of the Company, 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 in his position of Chairman. The role of Chief Executive Officer is that of David Cooper and independent of the role of Chairman undertaken by Lee IaFrate.

### 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.

## Corporate Governance Statement continued

### 1.3 Responsibilities of the Board (continued)

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*, 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.

#### 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:

## Corporate Governance Statement continued

### 1.4.4 *Continues Disclosure (continued)*

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* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

### 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 and email address for shareholders to make enquiries of the Company.

## Corporate Governance Statement continued

### 1.4 Board Policies (continued)

#### 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 the 6 weeks 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.

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.

#### 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

The Audit Committee consists of two members 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 independently. Members are appointed by the Board from amongst the Non-Executive Directors, which must also be independent. The current members of the Audit Committee are Mr Poole and Mr Kennedy. All members can read and understand financial statements and are otherwise financially literate and Mr Poole, the Chairman, is a qualified accountant with experience in financial and accounting matters. The details of the member's qualifications may be found in their Director Profiles on page 4.

The newly formed Audit Committee held one meeting for the year and details of attendance of the members of the Audit Committee are contained in the Directors' Report on page 11.

## Corporate Governance Statement continued

### 2.1 Audit Committee (continued)

#### 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 Remuneration Committee was formed by resolution of the Board on the 4<sup>th</sup> May 2004. Prior to this date all board members participated in matters concerning the remuneration of the directors and the executives of the Company.

#### 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 Poole, Mr Kennedy and Mr Green are the current members of the Remuneration Committee the majority of whom are Independent Directors. 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 on page 11.

#### 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.

##### 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 five highest paid (Non-Director) Executives during the year (discounting accumulated entitlements) is detailed in the Directors' Report on Page 9.

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.

## Corporate Governance Statement continued

### 2.2 *Remuneration Committee (continued)*

#### 2.2.4 *Remuneration Policy (continued)*

##### 2.2.4.1 Senior Executive Remuneration Policy (continued)

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.

#### 2.2.5 *Current Director Remuneration*

The aggregate amount of remuneration paid to Non-Executive Directors is approved by shareholders and is currently \$200,000. The remuneration received by all of the Company's Non Executive Directors is detailed in the Directors Report on page 9 and totals \$105,000 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 4<sup>th</sup> 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.

#### 2.3.2 *Composition*

The members of the Nomination Committee are:

- Mr L. IaFrate (Chairman);
- Mr R. Green

The Nomination Committee held one meeting during the year and details of attendance of the members of the Committee are detailed in the Directors' Report on Page 11.

#### 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.

## Corporate Governance Statement continued

### 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.

#### *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.

## Statement of Financial Performance

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>	2	<b>30,740,653</b>	11,773,469	<b>5,718,334</b>	1,869,539
Salaries and employee benefits expenses		<b>(5,957,406)</b>	(3,268,772)	<b>(1,252,807)</b>	(660,141)
Fund administration fees		<b>(2,111,435)</b>	(903,286)	<b>(7,313)</b>	(12,507)
Other expenses from ordinary activities	3(a)	<b>(3,224,042)</b>	(2,324,999)	<b>(773,874)</b>	(432,336)
Share of net losses of associates accounted for using the equity method	3(b)	<b>(173,459)</b>	(151,166)	-	-
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>19,274,311</b>	5,125,246	<b>3,684,340</b>	764,555
Income tax expense attributable to ordinary activities	4	<b>(6,006,787)</b>	(1,828,315)	-	-
<b>NET PROFIT</b>		<b>13,267,524</b>	3,296,931	<b>3,684,340</b>	764,555
Net profit attributable to outside equity interest	21	<b>(6,996,636)</b>	(2,135,359)	-	-
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED</b>	20	<b>6,270,888</b>	1,161,572	<b>3,684,340</b>	764,555
Share issue costs	19	-	(1,806)	-	(1,806)
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED AND RECOGNISED DIRECTLY IN EQUITY</b>		<b>-</b>	(1,806)	<b>-</b>	(1,806)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED</b>		<b>6,270,888</b>	1,159,766	<b>3,684,340</b>	762,749
Basic earnings per share (cents per share)	26	<b>37.2</b>	8.0		
Diluted earnings per share (cents per share)	26	<b>31.8</b>	6.0		
Franked dividends per share (cents per share)	5	<b>28.0</b>	3.0		

## Statement of Financial Position

AT 30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	22(b)	<b>13,595,385</b>	6,753,878	<b>5,132,629</b>	1,012,274
Receivables	6	<b>9,589,187</b>	4,211,718	<b>1,055,159</b>	1,475,455
Tax assets	4	<b>192,485</b>	49,586	-	-
Other financial assets	7	<b>2,500,000</b>	910,252	-	-
Other	8	<b>94,071</b>	86,849	<b>11,213</b>	13,371
<b>TOTAL CURRENT ASSETS</b>		<b>25,971,128</b>	12,012,283	<b>6,199,001</b>	2,501,100
<b>NON-CURRENT ASSETS</b>					
Receivables	9	<b>2,427,819</b>	1,284,539	<b>2,858,583</b>	1,646,941
Other financial assets	10	<b>100,600</b>	1,163,255	<b>5,859,060</b>	6,774,625
Investments accounted for using the equity method	11	<b>1,125,636</b>	1,152,004	-	-
Plant and equipment	13	<b>556,595</b>	266,416	<b>213,235</b>	92,578
Intangible assets	14	<b>1,664,550</b>	1,902,823	-	140,886
Other	15	<b>226,335</b>	108,234	<b>180,857</b>	82,932
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,101,535</b>	5,877,271	<b>9,111,735</b>	8,737,962
<b>TOTAL ASSETS</b>		<b>32,072,663</b>	17,889,554	<b>15,310,736</b>	11,239,062
<b>CURRENT LIABILITIES</b>					
Payables	16	<b>4,266,777</b>	1,432,388	<b>326,482</b>	1,163,523
Current tax liabilities	4	<b>4,137,096</b>	1,661,392	-	-
Provisions	17	<b>1,208,711</b>	1,981,860	<b>10,303</b>	489,504
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,612,584</b>	5,075,640	<b>336,785</b>	1,653,027
<b>NON-CURRENT LIABILITY</b>					
Payables	18	<b>77,563</b>	-	<b>77,563</b>	-
<b>TOTAL NON-CURRENT LIABILITY</b>		<b>77,563</b>	-	<b>77,563</b>	-
<b>TOTAL LIABILITIES</b>		<b>9,690,147</b>	5,075,640	<b>414,348</b>	1,653,027
<b>NET ASSETS</b>		<b>22,382,516</b>	12,813,914	<b>14,896,388</b>	9,586,035
<b>EQUITY</b>					
Parent entity interest					
Contributed equity	19	<b>13,075,623</b>	10,874,882	<b>13,075,623</b>	10,874,882
Retained profit / Accumulated losses	20	<b>4,664,475</b>	(1,031,685)	<b>1,820,765</b>	(1,288,847)
Total parent entity interest in equity		<b>17,740,098</b>	9,843,197	<b>14,896,388</b>	9,586,035
Total outside equity interest	21	<b>4,642,418</b>	2,970,717	-	-
<b>TOTAL EQUITY</b>		<b>22,382,516</b>	12,813,914	<b>14,896,388</b>	9,586,035

## Statement of Cash Flows

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		<b>25,469,479</b>	10,883,251	<b>984,097</b>	302,666
Payments to suppliers and employees		<b>(9,942,494)</b>	(6,344,404)	<b>(2,470,371)</b>	(1,156,293)
Dividends received		<b>12,880</b>	38,848	<b>4,712,935</b>	238,955
Interest received		<b>593,588</b>	210,615	<b>130,200</b>	99,805
Borrowing costs		-	(11,890)	-	-
Income tax paid		<b>(3,674,456)</b>	(473,030)	-	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	22(a)	<b>12,458,997</b>	4,303,390	<b>3,356,861</b>	(514,867)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of plant and equipment		-	2,700	-	-
Purchase of plant and equipment		<b>(471,752)</b>	(156,706)	<b>(167,416)</b>	(37,940)
Proceeds from sale of shares and units		<b>3,277,945</b>	2,238,780	<b>2,234,473</b>	1,191,940
Purchase of shares and units		<b>(3,833,554)</b>	(2,072,896)	<b>(1,333,554)</b>	(975,416)
Purchase of short term deposits		<b>(116,385)</b>	(82,862)	<b>(96,210)</b>	-
Repayment from controlled entity		-	-	-	589,356
Advances to controlled entities		-	-	<b>(100,000)</b>	(903,898)
Advances to associates		<b>(990,000)</b>	(1,093,007)	<b>(990,000)</b>	(1,093,007)
Payment for investment in controlled entities	22(e)	-	(84,696)	-	(259,061)
Loss of control of controlled entity	22(f)	-	(93,727)	-	-
Payment for investment in associates		<b>(51,204)</b>	(84,185)	<b>(51,204)</b>	(84,185)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		<b>(2,184,950)</b>	(1,426,599)	<b>(503,911)</b>	(1,572,211)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of ordinary shares		<b>2,200,741</b>	1,422,743	<b>2,200,741</b>	1,422,743
Payment of share issue costs		-	(1,806)	-	(1,806)
Proceeds from lease incentive		<b>98,946</b>	-	<b>98,946</b>	-
Payment of lease incentive		<b>(4,891)</b>	-	<b>(4,891)</b>	-
Advances from director related entity		-	400,000	-	-
Repayment to director related entity		-	(400,000)	-	-
Payment of dividends on ordinary shares		<b>(5,727,336)</b>	(347,916)	<b>(1,027,391)</b>	(142,983)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		<b>(3,432,540)</b>	1,073,021	<b>1,267,405</b>	1,277,954
NET INCREASE/(DECREASE) IN CASH HELD		<b>6,841,507</b>	3,949,812	<b>4,120,355</b>	(809,124)
Add opening cash brought forward		<b>6,753,878</b>	2,804,066	<b>1,012,274</b>	1,821,398
CLOSING CASH CARRIED FORWARD	22(b)	<b>13,595,385</b>	6,753,878	<b>5,132,629</b>	1,012,274

# Notes continued

30 JUNE 2004

---

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

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

### (b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

### (c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Treasury Group Limited (the parent company) and all entities that Treasury Group Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of controlled entities is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Controlled entity acquisitions are accounted for using the purchase method of accounting.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### (d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

Interest is recognised as an expense as it accrues.

### (e) Receivables

Trade receivables are 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 are written-off as incurred.

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

### (f) Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

Other 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.

### (g) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

## Notes continued

30 JUNE 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Plant and equipment

Plant and equipment are measured at cost and depreciated over their useful lives on a diminishing cost basis.

Major depreciation periods are:

	<u>2004 &amp; 2003</u>
Furniture & fittings:	8 - 13 years
Office equipment:	4 - 10 years
Leasehold improvements	Straight line over the life of the lease

#### (i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

##### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on a straight line basis over the lease term (6 years).

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

#### (j) Intangibles

##### *Goodwill*

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. The period of amortisation is up to 20 years.

Management reviews the unamortised goodwill from time to time and at least at each reporting date. Where the balance exceeds the value of expected benefits, the difference is recognised immediately as an expense.

#### (k) Payables

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.

#### (l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

#### (m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

## Notes continued

30 JUNE 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) 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:

##### *Rendering of services*

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured.

##### *Interest*

Control of the right to receive the interest payment.

##### *Dividends*

Control of the right to receive the dividend payment.

##### *Share trading*

Control of the shares has passed to the buyer.

#### (o) Taxes

##### *Income taxes*

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

where 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 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

## Notes continued

30 JUNE 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (o) Taxes (cont'd)

##### *Tax Consolidation Legislation*

Treasury Group Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified of this decision accordingly on the lodgement of the 2004 annual taxation returns.

As a consequence, Treasury Group Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing arrangement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group, have been remeasured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values. The impact on the income tax expenses for the year is disclosed in note 4.

#### (p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and  
other types of employee benefits  
are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in Note 24 is not being recognised as an employee benefits expense.

#### (q) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

costs of servicing equity (other than dividends) and preference share 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.

#### (r) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>2. REVENUES FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Fund management fees		27,158,290	11,357,821	-	-
Performance fees		2,454,537	-	-	-
Management fees					
- wholly-owned controlled entities		-	-	54,980	992
- partly-owned controlled entities		-	-	153,011	176,591
- associates		199,349	7,135	11,541	7,135
- other related entities		75,750	16,956	9,200	16,956
<b>Total revenues from operating activities</b>		<b>29,887,926</b>	<b>11,381,912</b>	<b>228,732</b>	<b>201,674</b>
<b>Revenues from non-operating activities</b>					
Dividends and distributions					
- partly-owned controlled entities		-	-	5,325,067	1,445,014
- other corporations		26,177	53,153	12,880	33,889
<b>Total dividends and distributions</b>		<b>26,177</b>	<b>53,153</b>	<b>5,337,947</b>	<b>1,478,903</b>
Interest					
Related parties					
- wholly-owned controlled entities		-	-	27,815	4,724
- partly-owned controlled entities		-	-	-	34,418
- associates		153,280	31,674	153,280	31,674
Other persons/corporations		595,407	217,128	130,200	67,176
<b>Total interest</b>		<b>748,687</b>	<b>248,802</b>	<b>311,295</b>	<b>137,992</b>
Commission received		1,527	12,554	1,527	12,554
Sale of shares / investments	(i)	(41,814)	58,796	(161,737)	38,416
Proceeds from disposal of plant & equipment		-	2,700	-	-
Other revenue		118,150	15,552	570	-
		77,863	89,602	(159,640)	50,970
<b>Total revenues from non-operating activities</b>		<b>852,727</b>	<b>391,557</b>	<b>5,489,602</b>	<b>1,667,865</b>
<b>Total revenues from ordinary activities</b>		<b>30,740,653</b>	<b>11,773,469</b>	<b>5,718,334</b>	<b>1,869,539</b>
<i>(i) Sale of shares / investments - Gain / (Loss)</i>					
Proceeds on disposal of shares / investments		3,277,944	2,238,780	2,234,472	1,191,940
Carrying amount of shares / investments disposed		(3,319,758)	(2,179,984)	(2,396,209)	(1,153,524)
<b>(Loss) / Gain on disposal</b>		<b>(41,814)</b>	<b>58,796</b>	<b>(161,737)</b>	<b>38,416</b>

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>3. EXPENSES AND LOSSES</b>					
<b>(a) Expenses</b>					
Depreciation of non-current assets					
Furniture & fittings		7,641	6,319	3,599	3,309
Office equipment		125,817	108,560	24,635	14,716
Leasehold improvements		44,339	6,499	16,508	1,231
Total depreciation of non-current assets		177,797	121,378	44,742	19,256
Amortisation of non-current assets					
Goodwill & formation costs		104,887	111,416	7,500	15,000
<b>Total depreciation and amortisation expenses</b>		<b>282,684</b>	<b>232,794</b>	<b>52,242</b>	<b>34,256</b>
<b>Other operating expenses</b>					
Accounting & audit fees		204,840	192,473	78,667	69,020
Operating lease rental – minimum lease payments		347,822	301,488	120,400	118,221
Marketing & stationery expenses		565,294	494,380	16,169	11,928
Travel & accommodation costs		316,412	217,863	46,841	24,656
Communication costs		138,489	116,353	20,852	14,922
Payroll tax		232,128	155,516	62,613	39,061
Legal & compliance fees		165,206	114,414	20,237	12,249
Consulting fee		125,152	46,426	-	-
Insurance charges		339,129	158,533	24,056	17,533
Directors' fees (non-executive)		138,770	4,724	98,807	4,724
IT servicing & consulting charges		63,942	64,109	10,240	760
Training expenses		24,217	30,953	11,076	1,640
Share registry expenses		24,246	19,509	24,246	19,509
ASX fees		32,367	23,428	32,367	23,428
Subscriptions		57,330	50,825	19,348	18,556
Write off of bad debt		-	-	61,177	-
Write off of plant and equipment		3,775	1,774	2,017	939
Write off of intangibles		37,500	-	37,500	-
Other expenses		124,739	99,437	35,019	20,934
		2,941,358	2,092,205	721,632	398,080
<b>Other expenses from ordinary activities</b>		<b>3,224,042</b>	<b>2,324,999</b>	<b>773,874</b>	<b>432,336</b>
<b>(b) Share of net loss of associates accounted for using the equity method</b>					
	11(a)	173,459	151,166	-	-
<b>(c) Losses</b>					
Net loss on disposal of plant & equipment		-	698	-	-

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>4. INCOME TAX</b>					
The prima facie tax on profit and extraordinary items differs from the income tax provided in the financial statements as follows:					
Prima facie tax on profit from ordinary activities		<b>5,782,293</b>	1,537,574	<b>1,105,302</b>	229,367
Tax effect of permanent differences					
Share of associates' net operating results		<b>52,038</b>	54,716	-	-
Rebateable dividends		<b>(4,231)</b>	9,968	<b>(1,434,037)</b>	(420,000)
Amortisation of intangible assets		<b>31,466</b>	33,425	<b>2,250</b>	4,500
Non-deductible costs – entertainment & fines		<b>10,376</b>	3,712	<b>1,523</b>	1,238
Write off of intangible assets		<b>11,250</b>	-	<b>11,250</b>	-
Gross up of franking credit		<b>813</b>	30,068	-	29,570
Recoupment of losses not previously recognised		<b>84,174</b>	213,938	<b>(80,828)</b>	214,413
Other items (net)		<b>38,608</b>	(55,086)	<b>39,376</b>	(59,088)
Prima facie tax on profit from ordinary activities – tax consolidated group (excluding parent entity)		-	-	<b>354,652</b>	-
Amortisation of intangible assets		-	-	<b>291</b>	-
Non-deductible costs – entertainment		-	-	<b>221</b>	-
Income tax expense attributable to ordinary activities		<b>6,006,787</b>	1,828,315	-	-

### *Deferred tax assets and liabilities*

Current tax payable	<b>4,136,550</b>	1,660,771	-	-
Provision for deferred income tax – current	<b>546</b>	621	-	-
Future income tax benefit – current	<b>192,485</b>	49,586	-	-

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

### **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. Members of the 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. In addition, the proposed 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. The head entity of the tax consolidated group is Treasury Group Limited.

## Notes continued

30 JUNE 2004	Notes	TREASURY GROUP LIMITED	
		2004	2003
		\$	\$
<b>5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES</b>			
<b>(a) Dividends proposed and recognised as a liability</b>			
Final fully franked dividends (2003: 3 cents per share)		-	452,663
<b>(b) Dividends proposed and not recognised as a liability*</b>			
Final fully franked dividends (25 cents per share)		<b>4,470,648</b>	-
<b>(c) Dividends paid during the year</b>			
<i>Current year interim</i>			
Fully franked dividends (3 cents per share) (2003: nil)		<b>528,728</b>	-
<i>Previous year final</i>			
Fully franked dividends (3 cents per share) (2003: 1 cent)		<b>498,663</b>	142,983

\* Calculation based on the ordinary shares on issue as at 30 June 2004

**(d) 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% (2003: 30%)	<b>1,915,234</b>	146,210
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
- franking debits that will arise from the payment of dividends as at the end of the financial year	-	(193,998)
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	<b>439,291</b>	600,000
	<b>2,354,525</b>	552,212

The tax rate at which paid dividends have been franked is 30% (2003: 30%). Dividends proposed will be franked at the rate of 30% (2003: 30%).

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>6. RECEIVABLES (CURRENT)</b>					
Trade debtors	6(a),(b)	9,270,336	3,187,095	6,867	18,417
Sundry debtors	6(b)	280,014	3,635	1,373	3,630
Amounts other than trade debts receivable from related parties:	29				
Wholly-owned group					
– controlled entities		-	-	3,864	-
Directors and director-related entities					
– director-related entities		32,574	1,000,000	-	-
Other related parties					
– partly-owned controlled entities		-	-	13,780	32,420
– dividend receivable from partly-owned controlled entities		-	-	1,025,012	1,400,000
– associates		6,263	20,988	4,263	20,988
		<b>9,589,187</b>	<b>4,211,718</b>	<b>1,055,159</b>	<b>1,475,455</b>
<b>(a) Total related party receivables</b>					
Wholly-owned group					
– controlled entities	29	-	-	6,867	-
Directors and director-related entities					
– director-related entities	29	2,045,666	2,530	-	2,530
Other related parties					
– partly-owned controlled entities		-	-	-	15,561
		<b>2,045,666</b>	<b>2,530</b>	<b>6,867</b>	<b>18,091</b>

**(b) Terms and conditions**

Terms and conditions relating to the above financial instruments

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Sundry debtors 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 29.

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>7. OTHER FINANCIAL ASSETS (CURRENT)</b>					
Units in managed investment trust, at cost		2,500,000	910,252	-	-

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.

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>8. OTHER CURRENT ASSETS</b>					
Prepayments		92,739	86,849	9,881	13,371
Other		1,332	-	1,332	-
		<b>94,071</b>	<b>86,849</b>	<b>11,213</b>	<b>13,371</b>

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>9. RECEIVABLES (NON-CURRENT)</b>					
Amounts other than trade debts receivable from					
Wholly-owned group					
- loans to controlled entities	9(a), (b), 29	-	-	430,764	362,402
Other related parties					
- loan to associates	9(a), (b), 29	2,427,819	1,284,539	2,427,819	1,284,539
		<b>2,427,819</b>	<b>1,284,539</b>	<b>2,858,583</b>	<b>1,646,941</b>

(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	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>10. OTHER FINANCIAL ASSETS (NON-CURRENT)</b>					
<i>Investments at cost comprise:</i>					
Controlled entities – unlisted	12	-	-	4,269,524	4,269,524
Associates – unlisted	11	-	-	1,488,936	1,341,846
		-	-	5,758,460	5,611,370
Shares in other corporations					
Listed on prescribed stock exchange	31(b)	-	1,062,655	-	1,062,655
Unlisted		100,600	100,600	100,600	100,600
		<b>100,600</b>	<b>1,163,255</b>	<b>100,600</b>	<b>1,163,255</b>
		<b>100,600</b>	<b>1,163,255</b>	<b>5,859,060</b>	<b>6,774,625</b>

There would be no capital gains tax payable if these assets were sold at their market values at the reporting date.

## Notes continued

30 JUNE 2004

Notes

CONSOLIDATED

2004

2003

\$

\$

### 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates	11(a)	<b>1,125,636</b>	1,152,004
--------------------------	-------	------------------	-----------

#### (a) Interests in Associates

Name	Balance date	Ownership interest held by consolidated entity	
		2004	2003
		%	%
Orion Asset Management (Aust) Pty Ltd - ordinary shares	30 June	<b>19.9</b>	19.9
Confluence Asset Management Ltd – ordinary shares	30 June	<b>35</b>	-

#### (i) Principal activity

- (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 small business capitalisation in Australia.

CONSOLIDATED

2004

2003

\$

\$

#### (ii) Share of associates' losses

Share of associates':

- net losses before income tax	<b>98,592</b>	120,223
- income tax expense attributable to net profit	-	-
Share of associate's net losses and extraordinary items after income tax	<b>98,592</b>	120,223
Adjusted for:		
- amortisation of goodwill on acquisition	<b>74,867</b>	30,943
Share of associates' net losses	<b>173,459</b>	151,166

## Notes continued

30 JUNE 2004

Notes  
 CONSOLIDATED  
 2004  
 2003  
 \$ \$

### 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

(iii) *Carrying amount of investment in associates*

Balance at the beginning of the financial year	<b>1,152,004</b>	542,545
- new investment during the financial year	<b>147,091</b>	791,845
- investment transferred to controlled entity	-	(710,222)
- investment transferred from controlled entity	-	679,002
- share of associates' net losses for the financial year	<b>(173,459)</b>	(151,166)
Carrying amount of investment in associates at the end of the financial year	<b>1,125,636</b>	1,152,004

(iv) *Summary of associates' assets and liabilities*

Current assets	<b>1,933,857</b>	317,234
Non-current assets	<b>340,935</b>	394,936
Current liabilities	<b>(676,653)</b>	(91,784)
Non-current liabilities	<b>(2,648,161)</b>	(1,284,539)
Net assets	<b>(1,050,022)</b>	(664,153)

(v) *Retained profit / (accumulated losses) of the consolidated entity attributable to associates*

Balance at the beginning of the financial year	<b>(158,621)</b>	(7,455)
Share of associates' net losses	<b>(173,459)</b>	(151,166)
Balance at the end of the financial year	<b>(332,080)</b>	(158,621)

The consolidated entity's share of the associates' commitments are disclosed in note 23.

### 12. INTERESTS IN SUBSIDIARIES

Name	Percentage of equity interest held by the consolidated entity		Treasury Group Limited Investments	
	2004	2003	2004	2003
	%	%	\$	\$
Armytage private Limited	<b>50</b>	<b>50</b>	<b>299,591</b>	299,591
Investors Mutual Limited	<b>50</b>	<b>50</b>	<b>3,869,925</b>	3,869,925
Treasury Capital Management Pty Ltd	<b>100</b>	<b>100</b>	<b>2</b>	2
Treasury Group Investment Services Ltd (formally known as Treasury Group Investment Services P/L)	<b>100</b>	<b>100</b>	<b>100,006</b>	100,006
			<b>4,269,524</b>	4,269,524

All subsidiaries are incorporated in Australia.

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>13. PLANT AND EQUIPMENT</b>					
<b>Furniture &amp; fittings</b>					
At cost		<b>116,352</b>	67,821	<b>43,992</b>	36,702
Accumulated depreciation		<b>(15,170)</b>	(7,529)	<b>(7,991)</b>	(4,392)
	13(a)	<b>101,182</b>	60,292	<b>36,001</b>	32,310
<b>Office equipment</b>					
At cost		<b>486,495</b>	334,898	<b>107,286</b>	68,611
Accumulated depreciation		<b>(276,060)</b>	(158,652)	<b>(43,339)</b>	(19,925)
	13(a)	<b>210,435</b>	176,246	<b>63,947</b>	48,686
<b>Leasehold improvements</b>					
At cost		<b>280,551</b>	37,170	<b>118,213</b>	13,327
Accumulated depreciation		<b>(35,573)</b>	(7,292)	<b>(4,926)</b>	(1,745)
	13(a)	<b>244,978</b>	29,878	<b>113,287</b>	11,582
Total written down amount		<b>556,595</b>	266,416	<b>213,235</b>	92,578
<b>(a) Reconciliations</b>					
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.					
<b>Furniture &amp; fittings</b>					
Carrying amount at beginning		<b>60,292</b>	39,543	<b>32,310</b>	30,665
Additions		<b>48,531</b>	36,568	<b>7,290</b>	4,954
Loss of control of a controlled entity		-	(9,500)	-	-
Depreciation expense		<b>(7,641)</b>	(6,319)	<b>(3,599)</b>	(3,309)
		<b>101,182</b>	60,292	<b>36,001</b>	32,310
<b>Office equipment</b>					
Carrying amount at beginning		<b>176,246</b>	192,510	<b>48,686</b>	30,416
Additions		<b>163,781</b>	99,729	<b>41,913</b>	32,986
Disposals		-	(3,398)	-	-
Write off of fixed assets		<b>(3,775)</b>	-	<b>(2,017)</b>	-
Loss of control of a controlled entity		-	(4,035)	-	-
Depreciation expense		<b>(125,817)</b>	(108,560)	<b>(24,635)</b>	(14,716)
		<b>210,435</b>	176,246	<b>63,947</b>	48,686
<b>Leasehold improvements</b>					
Carrying amount at beginning		<b>29,878</b>	15,968	<b>11,582</b>	12,813
Additions		<b>259,439</b>	20,409	<b>118,213</b>	-
Depreciation expense		<b>(44,339)</b>	(6,499)	<b>(16,508)</b>	(1,231)
		<b>244,978</b>	29,878	<b>113,287</b>	11,582

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>14. INTANGIBLE ASSETS</b>					
Goodwill		<b>1,928,348</b>	2,003,348	-	75,000
Accumulated amortisation		<b>(282,211)</b>	(215,793)	-	(30,000)
		<b>1,646,137</b>	1,787,555	-	45,000
Formation costs		<b>19,382</b>	115,268	-	95,886
Accumulated amortisation		<b>(969)</b>	-	-	-
		<b>18,413</b>	115,268	-	95,886
		<b>1,664,550</b>	1,902,823	-	140,886
<b>15. OTHER NON-CURRENT ASSETS</b>					
Security deposits		<b>226,335</b>	108,234	<b>180,857</b>	82,932
		<b>226,335</b>	108,234	<b>180,857</b>	82,932
<b>16. PAYABLES (CURRENT)</b>					
Trade creditors	16(a), (b)	<b>1,072,689</b>	364,208	<b>25,169</b>	45,358
Other creditors	16(a)	<b>2,062,170</b>	635,349	<b>209,853</b>	1,043,667
Payroll tax payable		<b>117,363</b>	47,272	<b>39,585</b>	47,272
Withholding tax payable		<b>72,574</b>	29,915	<b>41,411</b>	27,631
Goods and services tax / (refund)		<b>925,490</b>	355,644	<b>(6,027)</b>	(405)
Lease incentive liability	23	<b>16,491</b>	-	<b>16,491</b>	-
		<b>4,266,777</b>	1,432,388	<b>326,482</b>	1,163,523
<b>(a) Aggregate amounts payable to related parties:</b>					
Other related parties					
- associates		<b>749,485</b>	-	-	-
		<b>749,485</b>	-	-	-
<b>(b) Terms and conditions</b>					
Terms and conditions relating to the above financial instruments:					
(i) Trade creditors and other creditors 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 29.					

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>17. PROVISIONS (CURRENT)</b>					
Dividends on ordinary shares		<b>1,024,988</b>	1,852,663	-	452,663
Employee benefits	24	<b>183,723</b>	129,197	<b>10,303</b>	36,841
		<b>1,208,711</b>	1,981,860	<b>10,303</b>	489,504

### 18. PAYABLES (NON-CURRENT)

Lease incentive liability	23	<b>77,563</b>	-	<b>77,563</b>	-
---------------------------	----	---------------	---	---------------	---

### 19. CONTRIBUTED EQUITY

#### (a) Issued and paid up capital

Ordinary shares fully paid		<b>13,075,623</b>	10,874,882	<b>13,075,623</b>	10,874,882
----------------------------	--	-------------------	------------	-------------------	------------

#### (b) Movements in shares on issue

	2004		2003	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	<b>15,088,760</b>	<b>10,874,882</b>	14,165,925	8,894,945
Issued during the year				
- purchase of controlling interest in controlled entities and associate	-	-	100,000	559,000
- exercise of options	<b>2,793,833</b>	<b>2,200,741</b>	633,835	437,743
- private placement for working capital	-	-	189,000	985,000
Less: transaction costs	-	-	-	(1,806)
End of the financial year	<b>17,882,593</b>	<b>13,075,623</b>	15,088,760	10,874,882

#### (c) Share Options

Options over ordinary shares:

During the financial year, 325,000 options were issued over ordinary shares (2003: 2,310,001). The options had a weighted average exercise price of \$6.55 (2003: \$5.99). Details of options granted to officers and executives are provided in Note 24.

At the end of the year there were 5,472,333 (2003: 7,941,166) unissued ordinary shares in respect of which options were outstanding.

#### (d) Terms and conditions of contributed equity

##### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>20. RETAINED PROFIT / (ACCUMULATED LOSSES)</b>					
<b>Retained profit / (Accumulated losses)</b>					
Balance at the beginning of year		<b>(1,031,685)</b>	(1,739,271)	<b>(1,288,847)</b>	(1,599,416)
Net profit attributable to members of Treasury Group Limited		<b>6,270,888</b>	1,161,572	<b>3,684,340</b>	764,555
Total available for appropriation		<b>5,239,203</b>	(577,699)	<b>2,395,493</b>	(834,861)
Dividends provided for or paid		<b>(574,728)</b>	(453,986)	<b>(574,728)</b>	(453,986)
Balance at end of year		<b>4,664,475</b>	(1,031,685)	<b>1,820,765</b>	(1,288,847)

### 21. OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

Opening balance	<b>2,970,717</b>	1,280,342
Add: share of operating profit	<b>6,996,636</b>	2,135,359
new issue of shares	-	1,000,000
Less: dividends	<b>(5,324,935)</b>	(1,444,984)
Closing balance	<b>4,642,418</b>	2,970,717

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>22. STATEMENT OF CASH FLOWS</b>					
<b>(a) Reconciliation of the net profit after tax to the net cash flows from operations</b>					
Net profit		13,267,524	3,296,931	3,684,340	764,555
<i>Non-Cash Items</i>					
Depreciation and amortisation of non-current assets		282,684	232,794	52,242	34,256
Net (profit)/loss on disposal of financial assets		41,814	(58,796)	161,737	(38,416)
Net (profit)/loss on disposal of plant and equipment		-	698	-	-
Share of associates' net losses		173,459	151,166	-	-
Distribution on investment		(13,296)	-	-	-
Write off of plant and equipment		3,775	1,774	2,017	939
Write off of loan to controlled entity		-	-	61,177	-
Write off of intangibles		37,500	-	37,500	-
<b>Changes in assets and liabilities</b>					
(Increase)/decrease in trade and other receivables		(6,084,964)	(1,086,883)	(137,512)	(85,614)
(Increase)/decrease in dividends receivable		-	-	(625,012)	(1,239,948)
(Increase)/decrease in future income tax benefit		(142,900)	(25,144)	-	-
(Increase)/decrease in prepayments and other current assets		(454,731)	38,101	441	(13,371)
(Increase)/decrease in formation costs		-	(66,518)	-	-
(Decrease)/increase in trade creditors		708,481	(78,295)	(20,189)	(6,803)
(Decrease)/increase in other creditors and accruals		1,539,574	320,208	195,687	50,301
(Decrease)/increase in tax provision		2,475,704	1,324,137	-	-
(Decrease)/increase in goods and services tax payable		569,846	199,976	(5,623)	(2,800)
(Decrease)/increase in employee benefits		54,527	53,241	(49,944)	22,034
Net cash flow from operating activities		12,458,997	4,303,390	3,356,861	(514,867)
<b>(b) Reconciliation of cash</b>					
Cash balance comprises:					
- cash assets		1,253,814	1,621,142	290,177	312,536
- commercial bills		12,341,571	5,132,736	4,842,452	699,738
Closing cash balance		13,595,385	6,753,878	5,132,629	1,012,274
<b>(c) Financing facilities available</b>					
At reporting date, Treasury Group Limited did not have any financing facilities available.					
<b>(d) Non-cash repayment from partly-owned controlled entity</b>					
During the year, Treasury Group Limited settled a payable against a receivable to the value of \$1,000,000 from a partly-owned controlled entity.					

## Notes continued

30 JUNE 2004

### 22. STATEMENT OF CASH FLOWS (cont'd)

#### (e) Acquisition of Controlled Entity (2003)

On 19 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 associate 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 has been consolidated in the Treasury Group Limited's financial statements for the period from 19 November 2002 to until the control ceased on 15 January 2003.

The components of the acquisition cost were:

<b>Consideration</b>	<b>\$</b>
- cash paid	159,061
- liability defeasance	73,785
	<u>232,846</u>
<b>Net assets acquired</b>	
- 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	(12,791)
Goodwill arising on acquisition	238,835
	<u>226,044</u>
<b>Net cash effect</b>	
Cash consideration paid	159,061
Cash included in net assets acquired	(74,365)
Cash paid for purchase of controlled entity	<u>84,696</u>

#### (f) Loss of Control of Controlled Entity (2003)

On 15 January 2003, Treasury Group Limited lost control of Orion following the decline of the consolidated entity's total interest in Orion to 19.9%. The carrying amounts of assets and liabilities of Orion by major class are as follows:

	<b>\$</b>
- Cash	93,727
- Sundry debtors	1,398
- GST refund	5,185
- fair value of net intangible	55,738
- plant & equipment	13,535
- payables	(20,169)
- sundry creditors	(5,343)
- non-current loan payable	(188,048)
Net assets of entity	<u>(43,977)</u>
Cash effect on loss of controlled entity as reflected in the consolidated statement of cash flows	<u>93,727</u>

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>23. EXPENDITURE COMMITMENTS</b>					
<b>Lease expenditure commitments</b>					
<i>Operating leases (non-cancellable):</i>					
Minimum lease payments	23(a), (b)				
– not later than one year		<b>578,883</b>	391,491	<b>373,202</b>	202,950
– later than one year and not later than five years		<b>989,000</b>	797,923	<b>954,720</b>	557,961
– later than five years		<b>89,855</b>	-	<b>89,855</b>	-
Aggregate lease expenditure contracted for at reporting date		<b>1,657,738</b>	1,189,414	<b>1,417,777</b>	760,911
Aggregate expenditure commitments comprise:					
Amounts provided for:					
- lease incentive liability - current	23(c)	<b>16,491</b>	-	<b>16,491</b>	-
- non-current	23(c)	<b>77,563</b>	-	<b>77,563</b>	-
		<b>94,054</b>	-	<b>94,054</b>	-
Amounts not provided for:					
- rental commitments		<b>1,563,684</b>	1,189,414	<b>1,323,723</b>	760,911
Total not provided for		<b>1,563,684</b>	1,189,414	<b>1,323,723</b>	760,911
Aggregate lease expenditure contracted for at reporting date		<b>1,657,738</b>	1,189,414	<b>1,417,777</b>	760,911

**Note:**

- (a) The consolidated entity leases property under non-cancellable operating leases. Leases have an average lease term of 4 years and generally provide the consolidated entity with a right to renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an increment contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.
- (b) 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 \$597,095 (2003: nil) and \$449,955 (2003: \$540,002) respectively.
- (c) 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.
- (d) The consolidated entity's share of the associates' lease commitment at the reporting date is \$17,201 (2003: nil).

## Notes continued

30 JUNE 2004	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS</b>					
<b>Employee Benefits</b>					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries, bonus and on-costs*		<b>1,891,748</b>	472,394	<b>224,935</b>	77,110
Provisions (current)	17	<b>183,723</b>	129,197	<b>10,303</b>	36,841
		<b>2,075,471</b>	601,591	<b>235,238</b>	113,951

\* included in payables (current) – Note 16

### 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 cannot be transferred and will not be quoted on the ASX. There are 40 employees eligible for this scheme.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

		2004		2003	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	24(a)	<b>6,116,999</b>	<b>\$2.33</b>	6,000,000	\$0.81
- employees left during the financial year		-	-	(599,999)	\$0.84
- granted	24(a)	<b>325,000</b>	<b>\$6.55</b>	1,060,000	\$6.27
- exercised	24(a)	<b>(2,786,333)</b>	<b>\$0.79</b>	(343,002)	\$0.65
Balance at end of year	24(a)	<b>3,655,666</b>	<b>\$2.94</b>	6,116,999	\$2.33
Exercisable at end of year	24(a)	<b>1,354,002</b>	<b>\$1.91</b>	2,673,669	\$0.77

## Notes continued

30 June 2004

### 24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

#### (a) Employee Option Plan

Grant Date	Exercise Date	Expiry Date	Exercise Price	1-Jul 2003	Movement in number of Options			30-Jun 2004	Number of Options Vested	Proceeds Received	Fair Value per share
					Issued	Lapsed/ Forfeited	Exercised				
30/11/2000	30/11/2000	30/11/2005	\$0.75	500,000	-	-	500,000	-	-	\$375,000	\$6.38
1/07/2001	16/07/2001	01/07/2006	\$0.65	900,000	-	-	900,000	-	-	\$585,000	\$5.41
1/07/2001	01/07/2002	01/07/2006	\$0.60	300,000	-	-	300,000	-	-	\$180,000	\$5.41
1/07/2001	01/07/2002	01/07/2006	\$0.65	370,000	-	-	370,000	-	-	\$240,500	\$7.57
1/07/2001	01/07/2003	01/07/2006	\$0.75	300,000	-	-	140,000	160,000	160,000	\$105,000	\$7.50
1/07/2001	01/07/2003	01/07/2006	\$0.65	500,000	-	-	-	500,000	500,000	-	-
1/07/2001	01/07/2004	01/07/2006	\$0.90	300,000	-	-	-	300,000	-	-	-
1/07/2001	01/07/2004	01/07/2006	\$0.65	500,000	-	-	-	500,000	-	-	-
1/07/2001	01/07/2002	01/07/2006	\$0.65	53,669	-	-	28,668	25,001	25,001	\$18,634	\$6.85
1/07/2001	01/07/2003	01/07/2006	\$0.65	266,666	-	-	197,665	69,001	69,001	\$128,482	\$6.36
1/07/2001	01/07/2004	01/07/2006	\$0.65	266,664	-	-	-	266,664	-	-	-
1/07/2001	20/05/2005	01/07/2006	\$0.65	50,000	-	-	-	50,000	-	-	-
1/07/2001	01/07/2005	01/07/2006	\$0.65	50,000	-	-	-	50,000	-	-	-
16/11/2001	16/11/2001	30/11/2006	\$1.00	500,000	-	-	250,000	250,000	250,000	\$250,000	\$7.20
29/11/2001	01/03/2002	29/11/2006	\$3.00	50,000	-	-	50,000	-	-	\$150,000	\$7.47
Carried down				4,906,999	-	-	2,736,333	2,170,666	1,004,002	2,032,616	

## Notes continued

30 June 2004

### 24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

#### (a) Employee Option Plan (cont'd)

Grant Date	Exercise Date	Expiry Date	Exercise Price	1-Jul 2003	Movement in number of Options			30-Jun 2004	Number of Options Vested	Proceeds Received	Fair Value per share
					Issued	Lapsed/ Forfeited	Exercised				
				Brought down			2,736,333	2,170,666	1,004,002	2,032,616	-
29/11/2001	01/07/2003	29/11/2006	\$3.25	50,000	-	-	50,000	-	-	\$162,500	\$7.47
29/11/2001	01/07/2004	29/11/2006	\$3.50	50,000	-	-	-	50,000	-	-	-
29/11/2001	01/01/2005	29/11/2006	\$4.00	50,000	-	-	-	50,000	-	-	-
29/07/2002	29/07/2003	29/07/2007	\$5.00	300,000	-	-	-	300,000	300,000	-	-
29/07/2002	29/07/2004	29/07/2007	\$6.00	300,000	-	-	-	300,000	-	-	-
29/07/2002	29/07/2005	29/07/2007	\$7.00	200,000	-	-	-	200,000	-	-	-
29/07/2002	29/07/2005	29/07/2007	\$8.00	200,000	-	-	-	200,000	-	-	-
1/11/2002	01/01/2004	01/11/2007	\$6.00	25,000	-	-	-	25,000	25,000	-	-
1/11/2002	01/01/2005	01/11/2007	\$6.00	25,000	-	-	-	25,000	-	-	-
27/03/2003	01/09/2004	27/03/2008	\$5.00	10,000	-	-	-	10,000	-	-	-
20/10/2003	01/11/2004	01/11/2008	\$6.00	-	66,667	-	-	66,667	-	-	-
20/10/2003	01/11/2005	01/11/2008	\$6.00	-	66,667	-	-	66,667	-	-	-
20/10/2003	01/11/2006	01/11/2008	\$6.00	-	66,666	-	-	66,666	-	-	-
20/10/2003	01/11/2006	01/11/2008	\$7.00	-	50,000	-	-	50,000	-	-	-
20/10/2003	01/11/2006	01/11/2008	\$8.00	-	50,000	-	-	50,000	-	-	-
01/03/2004	01/03/2004	01/03/2009	\$7.16	-	25,000	-	-	25,000	25,000	-	-
				<b>6,116,999</b>	325,000	-	2,786,333	<b>3,655,666</b>	1,354,002	\$2,195,116	

#### (b) Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the consolidated entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.

## Notes continued

30 JUNE 2004

### 25. SUBSEQUENT EVENTS

#### 2004

On 1 July 2004, Treasury Group Limited exercised its call options and acquired a further 10% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$100,000.

On 18 August 2004, the directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2004 financial year. The total amount of the dividend is \$4,470,648, which represents a fully franked dividend of 25 cents per share. The dividend has not been provided for in the 30 June 2004 financial statements.

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

#### 2003

On 10 July 2003, Treasury Group Limited acquired 35% of the issued capital of Confluence Asset Management Ltd. The business will focus on small capitalised companies listed on the Australian Stock Exchange.

Except the matter disclosed above, there have been no other significant events which have occurred subsequent to 30 June 2004.

	CONSOLIDATED	
	2004	2003
	\$	\$
<b>26. EARNINGS PER SHARE</b>		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	13,267,524	3,296,931
<b>Adjustments:</b>		
Net profit attributable to outside equity interest	(6,996,636)	(2,135,359)
Earnings used in calculating basic and diluted earnings per share	<b>6,270,888</b>	1,161,572
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	16,865,629	14,591,190
<b>Effect of dilutive securities:</b>		
Dilutive effect of potential ordinary shares - share options	2,833,060	4,748,964
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<b>19,698,689</b>	19,340,154

## Notes continued

30 JUNE 2004

### 27. DIRECTOR AND EXECUTIVE DISCLOSURES

#### (a) Details of Specified Directors and Specified Executives

##### (i) Specified directors

L.D.P. IaFrate	Chairman (non-executive)
R. Green	Executive Director
T. Poole	Director (non-executive)
P. Kennedy	Director (non-executive)

##### (ii) Specified executives

D. Cooper	Strategic Investment Manager, (appointed Chief Executive Officer on 17 July 2004)
R. Kipp	Chief Financial Officer and Company Secretary
G. Putt	Chief Operating Officer

#### (b) Remuneration of Specified Directors and Specified Executives

##### (i) Remuneration Policy

The Remuneration Committee of Treasury Group Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer 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. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, statutory superannuation and options. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All directors and executives have the opportunity to qualify for participation in the Officer and Employee Option Plan which currently provides incentives where specified criteria are met including criteria relating to company performance, achievement of individual key performance indicators and other performance.

In addition, all executives are entitled to annual bonuses payable upon the achievement of annual corporate profitability measures, the most important being return on shareholder's equity.

	<u>Primary</u>		Non-Monetary Benefits	<u>Post Employment</u>		<u>Equity</u>	<u>Other</u>	Total
	Salary & Fees	Cash Bonus		Superannuation	Retirement Benefits	Options	Bonuses	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Specified Directors</b>								
L.D.P. IaFrate								
2004	75,045	150,000	-	6,755	-	-	-	231,800
2003	1,529	-	-	137	-	-	-	1,666
R. Green								
2004	365,100	-	-	9,900	-	-	-	375,000
2003	439,200	-	-	10,800	-	-	-	450,000
T. Poole								
2004	27,523	-	-	2,477	-	-	-	30,000
2003	1,529	-	-	138	-	-	-	1,667
P. Kennedy								
2004	30,000	-	-	-	-	-	-	30,000
2003	1,667	-	-	-	-	-	-	1,667
<b>Total Remuneration: Specified Directors</b>								
2004	500,145	150,000	-	16,655	-	-	-	666,800
2003*	443,925	-	-	11,075	-	-	-	455,000

## Notes continued

30 JUNE 2004

### 27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

#### (b) Remuneration of Specified Directors and Specified Executives (cont'd)

		<u>Primary</u>		Non-Monetary Benefits	<u>Post Employment</u>		<u>Equity</u>	<u>Other</u>	Total
		Salary & Fees	Cash Bonus		Superannuation	Retirement Benefits	Options	Bonuses	
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Specified Executives</b>									
D. Cooper									
	2004	229,357	125,000	-	25,142	-	487,583	-	867,082
	2003	127,734	-	-	11,496	-	797,347	-	936,577
R. Kipp									
	2004	170,100	50,000	-	13,233	-	33,162	-	266,495
	2003	110,001	-	-	9,999	-	15,144	-	135,144
G. Putt									
	2004	152,317	-	-	13,708	-	253,404	-	419,429
	2003	-	-	-	-	-	-	-	-
<b>Total Remuneration: Specified Executives</b>									
	2004	551,774	175,000	-	52,083	-	774,149	-	1,553,006
	2003*	237,735	-	-	21,495	-	812,491	-	1,071,721

\* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

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

During the financial year options were granted as equity compensation benefits to certain specified directors and specified executives as disclosed below. 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.

	Vested Number	Granted Number	Grant Date	Terms and Conditions for Each Grant			
				Value per option at grant date	Exercise price per option	First Exercise Date	Last Exercise Date
				\$	\$		
<b>Specified Directors</b>							
L.D.P. IaFrate	-	-	-	-	-	-	-
R. Green	300,000	-	-	-	-	-	-
T. Poole	-	-	-	-	-	-	-
P. Kennedy	-	-	-	-	-	-	-
<b>Specified Executives</b>							
D. Cooper	300,000	-	-	-	-	-	-
R. Kipp	65,000	15,000	01/03/2004	2.12	7.16	01/03/2004	01/03/2009
G. Putt	-	66,667	20/10/2003	2.59	6.00	01/11/2004	01/11/2008
G. Putt	-	66,667	20/10/2003	2.59	6.00	01/11/2005	01/11/2008
G. Putt	-	66,666	20/10/2003	2.59	6.00	01/11/2006	01/11/2008
G. Putt	-	50,000	20/10/2003	2.08	7.00	01/11/2006	01/11/2008
G. Putt	-	50,000	20/10/2003	1.71	8.00	01/11/2006	01/11/2008
<b>Total</b>	<b>665,000</b>	<b>315,000*</b>					

\* 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 23%, Risk Free rate of 5.4% , a dividend consistent with the current policy of the company and other variables as contained in the Notes to the financial report..

## Notes continued

30 JUNE 2004

### 27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

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

	Shares issued Number	Paid \$ per share
<b>Specified Directors</b>		
L.D.P. IaFrate	250,000	0.75
R. Green	900,000	0.65
R. Green	300,000	0.60
R. Green	140,000	0.75
<b>Specified Executives</b>		
R. Kipp	50,000	3.00
R. Kipp	50,000	3.25
<b>Total</b>	1,690,000	

#### (e) Option holdings of specified directors and specified executives

	Balance at beginning of period (1 July 2003)	Granted as Remuneration	Options Exercised	Balance at end of period (30 June 2004)	Vested at 30 June 2004		
					Total Vested	Not Exercisable	Exercisable
<b>Specified Directors</b>							
L.D.P. IaFrate	500,000	-	(250,000)	250,000	250,000	-	250,000
R. Green	1,800,000	-	(1,340,000)	460,000	160,000	-	160,000
T. Poole	-	-	-	-	-	-	-
P. Kennedy	-	-	-	-	-	-	-
<b>Specified Executives</b>							
D. Cooper	1,000,000	-	-	1,000,000	300,000	-	300,000
R. Kipp	200,000	15,000	(100,000)	115,000	15,000	-	15,000
G. Putt	-	300,000	-	300,000	-	-	-
<b>Total</b>	3,500,000	315,000	(1,690,000)	2,125,000	725,000	-	725,000

#### (f) Shareholdings of Specified Directors and Specified Executives

##### Ordinary shares held in Treasury

<i>Group Ltd (number)</i>	Balance 1 July 2003	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2004
<b>Specified Directors</b>					
L.D.P. IaFrate	1,549,000	-	250,000	(75,000)	1,724,000
R. Green	1,205,000	-	1,340,000	(140,000)	2,405,000
T. Poole	12,000	-	-	20,000	32,000
P. Kennedy	-	-	-	-	-
<b>Specified Executives</b>					
D. Cooper	-	-	-	-	-
R. Kipp	2,000	-	100,000	-	102,000
G. Putt	-	-	-	-	-
<b>Total</b>	2,768,000	-	1,690,000	(195,000)	4,263,000

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.

## Notes continued

30 JUNE 2004

### 27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

#### (g) Transactions with director-related entity

Details of the transactions with director-related entity are set out in note 29.

Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>28. AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable by Ernst & Young Australia for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	<b>144,500</b>	140,223	<b>58,000</b>	56,500
– other services in relation to the entity and any other entity in the consolidated entity	<b>67,127</b>	29,945	<b>22,167</b>	11,780
	<b>211,627</b>	170,168	<b>80,167</b>	68,280

## Notes continued

30 JUNE 2004

### 29. RELATED PARTY DISCLOSURES

#### Transactions with wholly-owned controlled entities

##### Management 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 management fees and receivables at reporting date are disclosed in Note 2 and Note 6 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, \$100,000 (2003: \$503,898) was advanced to a wholly-owned subsidiary, while no repayments were received (2003: \$1,430,459). Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 2 and Note 9 to the financial report respectively.

A loan to a wholly owned controlled entity was forgiven during the year, totalling \$61,177.

#### Transactions with partly-owned controlled entities

##### Management fees

During the year, Treasury Group Limited provided administrative services to partly-owned controlled entities. Dealings were on commercial terms and conditions. Details of management fees are disclosed in Note 2 to the financial report.

##### Fund management fees

During the year, Treasury Group Limited paid \$5,450 (2003: \$9,431) fund management fees to a partly-owned controlled entity for managing its investments. The fee is included in the fund administration fees on the statement of financial performance.

##### Dividend

Any dividend received and receivable at reporting date are disclosed in Note 2 and Note 6 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 23 to the financial report.

#### Transactions with associates

##### Management fees

During the year, Treasury Group Limited provided administrative services to associates. Dealings were on commercial terms and conditions. Details of management fees and receivables at reporting date are disclosed in Note 2 and Note 6 to the financial report respectively.

##### Loans

During the year, Treasury Group Limited provided loans to associates, aggregating \$990,000 (2003: \$1,093,007). The loans have been in accordance with a working capital loan facility and are on a long-term basis. No repayments were made 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 2 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 performance fees paid amounting to \$778,357 (2003: nil) is included in the Fund Administration Fees on the Statement of Financial Performance. Payables at the reporting date are disclosed in Note 16 to the financial report.

##### 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 23 to the financial report.

## Notes continued

30 JUNE 2004

---

### 29. RELATED PARTY DISCLOSURES (cont'd)

#### Transactions with director-related entity

##### Management fees

During the year, a controlled entity of Treasury Group Limited entered into a management agreement with a newly listed investment company, a company of which Mr R. Green and Mr R. Kipp are directors and Mr G. Putt is the Chief Executive Officer, to provide management and administrative services. Dealings were on commercial terms and conditions. Details of management fee amounting to \$66,550 (2003: nil) are included in Note 2 to the financial report.

##### Fund management and performance fees

During the year, the controlled entity also entered into an investment management agreement to provide 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 \$1,045,705 (2003: nil) and \$1,686,328 (2003: nil) respectively. Receivable at the reporting date is disclosed in Note 6 to the financial report.

##### Services

During the year, Treasury Group Limited and a controlled entity provided administrative services to a director-related entity, a company of which Mr L.D.P. Iafrate and Mr P.R. Kennedy are directors. Dealings were on commercial terms and conditions. Details of management fees amounting to \$9,200 (2003: \$25,000) are disclosed in Note 2 to the financial report.

### 30. SEGMENT INFORMATION

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

## Notes continued

30 JUNE 2004

### 31. 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 Statement of Financial Position	Weighted Average Interest Rate
	\$	\$	\$	\$	\$	\$	\$
<b>2004</b>							
<b>Financial assets</b>							
Cash	1,253,814	12,341,571	-	-	-	13,595,385	5.25%
Receivables	-	-	-	2,427,819	9,589,187	12,017,006	8.04%
Investments	-	-	-	-	2,600,600	2,600,600	N/A
Other	-	-	226,335	-	-	226,335	5.08%
<b>TOTAL</b>	<b>1,253,814</b>	<b>12,341,571</b>	<b>226,335</b>	<b>2,427,819</b>	<b>12,189,787</b>	<b>28,439,326</b>	
<b>Financial liabilities</b>							
Accounts payable	-	-	-	-	4,344,340	4,344,340	N/A
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,344,340</b>	<b>4,344,340</b>	

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

## Notes continued

30 JUNE 2004

### 31. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Interest rate risk (cont'd)

	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 Statement of Financial Position	Weighted Average Interest Rate
	\$	\$	\$	\$	\$	\$	\$
<b>2003</b>							
<b>Financial assets</b>							
Cash	1,621,142	5,132,736	-	-	-	6,753,878	4.4%
Receivables	-	-	-	1,284,539	4,211,718	5,496,257	8.0%
Investments (current)	-	-	-	-	1,163,255	1,163,255	N/A
Other	-	-	108,234	-	86,849	195,083	4.4%
<b>TOTAL</b>	<b>1,621,142</b>	<b>5,132,736</b>	<b>108,234</b>	<b>1,284,539</b>	<b>5,461,822</b>	<b>13,308,473</b>	
<b>Financial liabilities</b>							
Accounts payable	-	-	-	-	1,432,388	1,432,388	N/A
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,432,388</b>	<b>1,432,388</b>	

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

## Notes continued

30 JUNE 2004

---

31. FINANCIAL INSTRUMENTS (cont'd)

**(b) Net fair values**

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 \$131,062. 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.

**(c) Credit risk exposures**

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

## Notes continued

30 JUNE 2004

### 32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Treasury Group Limited (the “Group”) has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The group has allocated internal resources to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, the group has graded impact areas as either high, medium or low and has established a dedicated project team to address each of the areas in order of priority as represented by the gradings. As the group has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the group prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the group. At this stage the group has not been able to reliably quantify the impacts on the financial report.

#### *Classification of Financial Instrument*

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost on the Statement of Financial Position. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

#### *Goodwill*

Under the Australian equivalent to IFRS 3 *Business Combinations* goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group’s current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

#### *Impairment of Assets*

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group’s current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

#### *Intangible Assets*

Under the Australian equivalent to IAS 38 *Intangible Assets*, costs incurred in the start-up phase of business development must be expensed. This will result in a change in the group’s current accounting policy which allows for the capitalisation of costs incurred where future benefits are expected beyond reasonable doubt. On transition approximately \$350,000 of such currently recognised internally generated intangible assets will be required to be adjusted against opening retained profits as they will not meet the recognition requirements under IFRS.

#### *Share based payments*

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

#### *Income taxes*

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

## 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 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 2004 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.

On behalf of the Board



L. IaFrate  
Director

Melbourne, 18 August 2004

## Independent audit report to members of Treasury Group Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, 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 2004. 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 on it 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. 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.

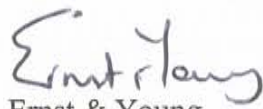
### Independence

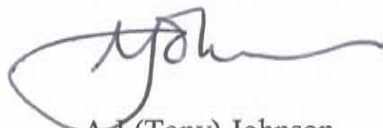
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. 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 2004 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  
13 August 2004

## 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 30 July 2004).**

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	442	343,414
1,001	–	5,000	556	1,355,128
5,001	–	10,000	76	601,372
10,001	–	100,000	75	2,410,921
100,001		and over	19	13,071,758
			<b>1168</b>	<b>17,782,593</b>
The number of shareholders holding less than a marketable parcel of shares are:			<b>6</b>	<b>56</b>

**(b) Twenty largest shareholders (as at 13 August 2004)**

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	AKAT investments Pty Ltd	2,561,337	14.3%
2	Mini Investment Pty Ltd	2,405,000	13.4%
3	Squitchy Lane Holdings Pty Ltd	2,151,500	12.0%
4	Top Pocket Pty Ltd	1,724,000	9.6%
5	Permanent Trustee Australia Limited	698,429	3.9%
6	ANZ Nominees Limited	656,017	3.7%
7	HSBC International Trustee (Singapore) Limited	608,900	3.4%
8	Leyland Limited	470,450	2.6%
9	Banson Nominees Pty Ltd	425,313	2.4%
10	Mr Peter Bancroft <P Bancroft Super Fund A/C>	411,090	2.3%
11	Greenwich Stud Pty Ltd	307,805	1.7%
12	RBC Global Services Australia Nominees Pty Limited	260,000	1.5%
13	Ifan Pty Limited < Mirdcom Super Fund A/C>	182,500	1.0%
14	Mr R Kipp	150,000	0.8%
15	Mr Hugh Lauder Wallace	150,000	0.8%
16	Mr Gregory James Perry	145,000	0.8%
17	Harkosi Securities Pty Ltd (Super Fund A/C)	135,000	0.8%
18	Mr Monik Kotecha	116,166	0.6%
19	Bond Street Custodians Limited	109,456	0.6%
20	M F Custodians Limited	100,000	0.6%
		<b>13,767,963</b>	<b>77.0%</b>

## 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

---

No notices were received during the year.

**(d) Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**(e) Share restricted by voluntary escrow.**

As at the date of this report 100,000 ordinary shares were held in escrow. The voluntary escrow period ends on 15 January 2006.