

Thursday, 22 February 2007

TREASURY GROUP FINANCIAL RESULTS HALF-YEAR ENDED DECEMBER 2006 & APPOINTMENT OF DIRECTOR

Treasury Group (ASX: TRG) today announced a consolidated net profit after tax of \$8.49 million for the half-year to 31 December 2006, up 38.7% on the previous corresponding period. This result includes a \$1.25 million after tax profit on sale of Armytage private Limited in July 2006.

Total funds under management (FUM) at 31 December 2006 totalled \$11.29 billion (which included \$296 million attributable to the recently formed Trilogy/Orion venture), an increase of \$1.56 billion or 16% on the previous corresponding period.

Treasury Group has declared an interim dividend of 25 cents per share to be paid on 27 March 2007, fully franked. This represents an increase of 38.9% on the previous corresponding dividend of 18 cents.

	6 months to 31 December		
\$M	2006	2005	% Change
Total revenue	26.02	23.79	9.4
Net profit after tax	8.49	6.12	+38.7
Basic earnings per share	38.38 cents	27.86 cents	+37.8
Dividend per share (fully franked)	25.0 cents	18.0 cents	+38.9

The board of Treasury Group are also very pleased to announce the appointment of Mr Reubert Hayes as an independent, non-executive director effective this day. Mr Hayes has 41 years experience in investment management and stockbroking research, and was a founder and CEO of Ausbil Dexia Limited, a specialist wholesale boutique asset management operation. Mr Hayes was also a joint founder of Barclays Bank investment operations in Australia in 1984, and was CEO of that business for 12 years until 1996. Prior to this Mr Hayes held senior investment roles with AMP and Westpac. Mr Hayes is a Senior Fellow of the Financial Services Institute of Australia, Fellow of the Australian and New Zealand Institute of Insurance and Finance and a Fellow of the Australian Institute of Company Directors.

Mr Hayes' appointment to the board of Treasury Group is much welcomed and reinforces the company's commitment to having high calibre and experienced individuals on its board.

HIGHLIGHTS OF THE HALF YEAR ENDED 31 DECEMBER 2006

- Net Profit after Tax (NPAT) including the after tax profit on sale of Armytage increased 38.7% to \$8.49 million.
- Interim fully franked dividend declared of 25 cps, resulting in a 38.9% increase from the last year's corresponding dividend of 18 cps.
- Normalised earnings per share excluding Armytage increased from 27.24 cps to 32.73 cps, representing an increase of 20%.
- Growth of Global Value Investors (GVI) and Treasury Asia Asset Management (TAAM) into profitable operations. TAAM was awarded a number of institutional mandates, GVI continues to enjoy strengthening retail inflows.
- Strong early interest in the Trilogy/Orion venture (commenced Oct '06).
- Establishment of three new managed investment schemes.
- The launching and intensive marketing of RARE Infrastructure.
- Sale of 50% interest in Armytage private Limited for \$3 million (executed on 11 July 2006).
- Dublin funds project completed in February 2007.

Financial Summary and Analysis

\$M	6 months to 31 December		
	2006	2005	% Change
Revenue – continuing operations	26.02	23.79	+9.4
Other Income	0.57	-	
EBITDA – continuing operations	15.73	14.71	+6.9
Depreciation	(0.15)	(0.17)	+11.7
EBIT (pre associates)	15.58	14.54	+7.15
Interest received	0.83	0.67	+23.9
Equity share of associates profit	1.72	1.13	+52.2
Profit before tax	18.13	16.34	+11.0
Tax expense	(5.0)	(4.45)	-12.4
Profit after tax – continuing operations	13.13	11.89	+10.4
Profit after tax - discontinued operations	-	0.27	
Profit after tax on disposal of disc op	1.25	-	
Minority interests	(5.89)	(6.04)	+2.5
Net profit after tax	8.49	6.12	+38.7
Diluted earnings per share (cents)	37.61	27.10	+38.8
Basic earnings per share (cents)	38.38	27.86	+37.8
Dividend per share (fully franked)	25 cents	18 cents	+38.9

Revenue

Revenue from continuing operations of the Group increased 9.4% from \$23.79m to \$26.03m and reflects the consolidation of results of its 100% owned subsidiary Treasury Group Investment Services as well as the following three fund managers in which TRG has an effective controlling stake :

<u>Fund Manager</u>	<u>TRG Interest</u>
Investors Mutual Limited	50%
Global Value Investors Ltd	67%
Treasury Asia Asset Management Ltd	41%

Profit After Tax

Profit from continuing operations increased by 10.4% over the half year period and reflects the following:

1. A stronger contribution from associates in particular from Orion where year on year total FUM grew strongly. In addition TRG increased its stake in Orion in December 2005.
2. Costs in relation to the creation of the TRG Dublin Funds have been expensed. These costs totaled \$200,889.
3. The profit on redemption of units in an investment fund initially seeded by the Group.
4. Increase in Group insurance costs to increase the level of liability cover.
5. GVI and TAAM combined did not contribute to Group earnings in the first half. Both companies continued to strongly develop their businesses and are expected to contribute to Group earnings in the second half of financial year 2007.
6. The December 2005 results included reorganisational costs that were not experienced in the December 2006 results.

Normalised Earnings

The table below provides some guidance on the normalised earnings for the six months to December 2006:

NPAT		\$8,491,452
<i>Less:</i>		
After tax profit on sale of Armytage	(\$1,250,418)	
After tax profit on sale of units	(\$197,862)	
<i>Add:</i>		
Dublin fund set up costs written off*	<u>\$200,889</u>	
Normalised after tax earnings		\$7,244,061

(* No tax benefit on the Dublin Fund expenses has been reflected in the December 06 results)

Discontinued Operations

TRG's 50% interest in Armytage private Limited (ApL) is treated as a discontinued operation as a consequence of its having entered into a contract to sell its interest on 11 July 2006. The profit on the sale of the shares in ApL resulted in a profit after tax of \$1.25 million on a consolidated basis.

Earnings per share

Basic earnings per share (eps) including the profit on sale of ApL increased 38.7% from 27.86 at 31 December 2005 to 38.38 cents, reflecting the improved performance mentioned above as well as an increase in shares on issue to 22,176,581 as a result of the exercise of options. The weighted average number of shares on issue increased slightly from 21.970m to 22.127m shares.

Diluted eps (including options yet to be exercised) increased 38.78% from 27.1 cents to 37.61 cents.

Dividend

On 22 February, directors declared a 25 cents per share (cps) fully franked dividend. This represents a 38.9% increase on the previous corresponding dividend of 18 cps. The Board has established a policy of paying half of the previous year total dividend as an interim dividend payment.

The interim dividend will be paid on 27 March, 2007.

Review of Operations

Treasury Group Investment Services (TIS) - (100% owned at 31 December 2006)

TRG through TIS provides its managers and a listed investment company (Premium Investors Ltd) with risk and compliance services as well as a Responsible Entity function. During the half year, TIS successfully applied for three Australian Financial Services licences and set up four new managed investment schemes.

Investors Mutual Limited (IML) - 50% owned at 31 December 2006

IML's funds under management increased over the six months to 31 December 2006 thanks to the continued strong Australian sharemarket. Performance improved in the second half of 2006 as the high level of takeovers helped many of IML's long term holdings.

Orion Asset Management Limited (Orion) - 42% owned at 31 December 2006

Orion increased FUM strongly year on year. Orion launched the partnership with Trilogy Global Advisors in September 2006 which has already had strong interest from local institutions.

Confluence Asset Management Limited - 35% owned at 31 December 2006

Confluence continues to demonstrate strong investment performance and is now actively marketing to institutional clients.

Global Value Investors Limited (GVI) - 67% owned at 31 December 2006

GVI is now well established in the retail market and continues to experience growing retail inflows. GVI's unique process and strong investment performance was recently acknowledged by its nomination by Morningstar for the 2006 award for the "Emerging Fund Manager –International Equities".

Treasury Asia Asset Management Limited (TAAM) - 41% owned at 31 December 2006

TAAM was awarded several major institutional mandates over the last six months including Telstra Super and WestLB. Performance continues to be strong and there are encouraging signs of continued interest not only from Australia but also overseas.

RARE Infrastructure Limited

RARE Infrastructure was launched in July 2006 and has been actively marketing and positioning itself with the major asset consultants and institutional investors. Feedback has been encouraging with an expectation of institutional inflows during 2007. Initial investment performance has been very encouraging.

For further information

Investors

Mr David Cooper
Managing Director
+61 2 8243 0400

Mr Joseph Ferragina
Chief Financial Officer
+61 2 8243 0400

Treasury Group Ltd is an investor in, and supporter of, boutique funds management businesses in Australia. Its current interests include Investors Mutual Ltd (50%), Orion Asset Management (42%), Confluence Asset Management (35%), Treasury Asia Asset Management (41%), Global Value Investors (67%) and RARE Infrastructure Ltd.