

Appendix 4D

1. Half yearly report

Name of entity

Treasury Group Limited

ABN:

39 006 708 792

Report for the half-year ended 31 December 2005

Previous corresponding period

is the financial year ended 30 June 2005

and half year ended 31 December 2004

2. Results for announcement to the market

Revenues (<i>item 2.1</i>)	up/down	21%	to	A\$'000s 24,445
Profit (loss) after tax attributable to members (<i>item 2.2</i>)	up/down	20%	to	6,120
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up/down	20%	to	6,120
Dividends (<i>item 2.4</i>)				
It is proposed to pay interim fully paid dividends of 18.00 cents per share.				
Payment Date: 3 April 2006				
Record date for determining entitlements to the dividend (<i>item 2.5</i>)		13 March 2006		
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 6 months period ended 31 December 2005. Also, please see attached Chairman Address for detailed commentary.				

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	141.0¢	113.6¢

4. Details of entities over which control has been gained or lost during the period: (item 4)

Control gained over entities

Name of entities (item 4.1)	Treasury Asia Asset Management Ltd
Date(s) of gain of control (item 4.2)	12 July 2005

Loss of control of entities

Name of entities (item 4.1)	-
Date(s) of loss of control (item 4.2)	-
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).	-
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	-

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2005	23 September 2005	\$5,956,810
Interim dividend – year ended 30 June 2006	3 April 2006	\$3,973,546

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Interim dividend: Current year	18.00¢	100%	-¢
Previous year	13.00¢	100%	-¢

Interim dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	3,973	2,821
Preference securities <i>(each class separately)</i>	-	-
Other equity instruments <i>(each class separately)</i>	-	-
Total	3,973	2,821

6. Details of dividend or distribution reinvestment plans in operation are described below *(item 6):*

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

7. Details of associates and joint venture entities *(item 7)*

Name of associate or joint venture entity	%Securities held
Orion Asset Management (Aust) Pty Ltd	41.9
Confluence Asset Management Ltd	35

Aggregate share of profits (losses) of associates and joint venture entities *(where material)*

Group's share of associates' and joint venture entities':	6ms to 31 Dec 2005	6ms to 31 Dec 2004
	\$	\$
Profit (loss) before tax	1,616,005	464,131
Income tax	(485,397)	(44,850)
Net profit (loss) after tax	1,130,608	419,281
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	1,130,608	419,281

8. The information provided in the Appendix 4D is based on the interim financial report (attached), which has been prepared in accordance with Australian accounting standards *(item 8)*.

9. The interim financial report is not subject to audit dispute or qualification. *(item 9)*

Periodic Disclosure Requirements Compliance Statement

- 1 An interim report for the half-year ended 31 December 2005 is provided with the Appendix 4D information.
- 2 The interim report has been prepared in accordance with AASB 134 Interim Financial Reporting.
- 3 The interim report and information provided in Appendix 4D uses the same accounting policies as those applied at 30 June 2005, except mandatory changes under the Australian equivalents to International Financial Reporting Standards (A-IFRS).
- 4 The Appendix 4D information gives a true and fair view of the matters disclosed in the interim financial report.
- 5 The Appendix 4D information is based on the interim financial report, which has been subject to review.

- 6 The audit report or review by the auditor is provided with the interim financial report.

Sign here: Date:
(Company Secretary)

Print name: Leah Watson

Chairman's Address

Treasury Group Ltd is pleased to announce a record first half profit for the period to 31 December 2005 of \$6,119,998, up 20.5% on the previous December half. This is an excellent result, for which management and our fund managers should be congratulated, as the task of developing new businesses and building out our executive team weighed on the outcome. Earnings per share improved from 25.26 cents per share, to 27.80 cents. Your directors have approved a dividend of 18 cents, up from the previous interim dividend of 13 cents.

During the period, Treasury Group Ltd increased its ownership of Orion Asset Management Pty Ltd to 42% following the exercise of two 6% options. Orion had an outstanding first half in terms of performance and growth in funds under management. Investors Mutual Limited has continued to provide clients with true to label prudent "value style" investment funds.

Developing fund managers Global Value Investors Ltd and Treasury Asia Asset Management Ltd posted solid early performance numbers, and have been successful in attracting support from a growing range of financial planners and platform providers.

Confluence and Armytage private Ltd have consolidated their positions in the market.

The share price performance for Premium Investors Limited (whose assets are managed by TRG's fund managers) has been the only negative for the half. While our managers have performed creditably in targeting an absolute return objective, Premium shares have continued to trade at a large discount to net asset value. With the Premium board, we have agreed on several changes to remedy this, including the appointment of a new CEO, an increase in the dividend and a revised fund manager allocation. Some improvement in Premium's trading levels has resulted, but there is more work to be done.

On 31 January Treasury Group's funds under management exceeded \$10 billion. With this milestone behind us, a strategy meeting was held in February to assess our current market position and to plan for the future. Looking forward, we will continue to assemble the executive and back office infrastructure necessary for our next phase of growth. Your board believes that the Treasury Group management team can deliver a sound full year outcome and a company well positioned and resourced for the future.



Mike Fitzpatrick
Chairman

27 February 2006




Treasury Group Ltd

A.B.N. 39 006 708 792

Half-year Financial Report

For the Six Months Ended
31 December 2005

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2005.

DIRECTORS

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

Name

Mr M. Fitzpatrick (Chairman)

Mr L. IaFrate

Mr R. Green

Mr P. Kennedy

Mr D. Sharp (appointed 11 July 2005)

Mr D Cooper (Managing Director) (appointed 8 August 2005)

REVIEW AND RESULTS OF OPERATIONS

The principal activity of the group for the period was the provision of funds management services to institutions, master funds and wraps, retail investors and private clients through Investors Mutual Ltd, Armytage private Ltd, Orion Asset Management Pty Ltd, Global Value Investors Ltd, Treasury Asia Asset Management Ltd and Confluence Asset Management Ltd.

The company exercised a call option and acquired a further 6% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$1,400,000 on 1 July 2005 and a call option for a further 6% for cash consideration of \$2,800,000 on 23 December 2005.

The group generated an operating profit from ordinary activities after income tax and minority interests of \$6,119,998 for the six months period ended 31 December 2005. This compares with an operating profit of \$5,080,301 reported for the corresponding period ended 31 December 2004. Basic and diluted earnings per share have also increased from 25.27 cents and 24.23 cents per share to 27.86 cents and 27.10 cents per share respectively for the 6 months period ended 31 December 2005.

AUDITOR'S DECLARATION

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors.



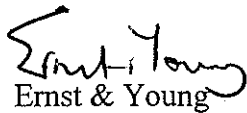
M. Fitzpatrick

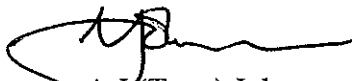
Chairman

Melbourne, 27 February 2006

Auditor's Independence Declaration to the Directors of Treasury Group Ltd

In relation to our review of the financial report of Treasury Group Ltd for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Ernst & Young


A.J. (Tony) Johnson
Partner

Date: 27 February 2006

Condensed Income Statement

For the half-year ended 31 December 2005

	Notes	CONSOLIDATED	
		2005	2004
		\$	\$
Revenues	2	24,445,438	20,267,926
Expenses	3	(8,929,577)	(6,140,719)
Share of profits of associates		1,130,608	419,282
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		16,646,469	14,546,489
Income tax expense		(4,489,622)	(4,377,720)
PROFIT FOR THE PERIOD AFTER TAX		12,156,847	10,168,769
Profit attributable to minority interest		(6,036,849)	(5,088,468)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LTD		6,119,998	5,080,301
Basic earnings per share (cents per share)		27.86	25.27
Diluted earnings per share (cents per share)		27.10	24.23
Franked dividends per share (cents per share)		18.00	13.00

The condensed income statement should be read in conjunction with the accompanying notes.

Condensed Balance Sheet

For the half-year ended 31 December 2005

	CONSOLIDATED	
	As at 31 DECEMBER 2005 \$	As at 30 JUNE 2005 \$
CURRENT ASSETS		
Cash and cash equivalents	19,024,665	22,254,205
Trade Receivables	10,570,506	16,362,406
Other financial assets	6,799,608	5,619,477
Other	642,182	357,531
TOTAL CURRENT ASSETS	37,036,961	44,593,619
NON-CURRENT ASSETS		
Trade receivables	225,838	216,366
Other financial assets	105,000	163,100
Deferred income tax assets	1,273,254	305,694
Investments accounted for using the equity method	6,905,286	2,295,792
Plant and equipment	1,009,844	958,324
Intangible assets	2,409,238	1,646,139
Other	496,005	315,685
TOTAL NON-CURRENT ASSETS	12,424,465	5,901,100
TOTAL ASSETS	49,461,426	50,494,719
CURRENT LIABILITIES		
Trade payables	3,137,073	7,009,450
Provisions	3,708,152	4,749,682
Income tax payable	3,137,215	3,979,988
TOTAL CURRENT LIABILITIES	9,982,440	15,739,120
NON-CURRENT LIABILITIES		
Trade payables	52,827	61,072
Deferred income tax liability	291,694	-
TOTAL NON-CURRENT LIABILITIES	344,521	61,072
TOTAL LIABILITIES	10,326,961	15,800,192
NET ASSETS	39,134,465	34,694,527
EQUITY		
Parent entity interest in equity		
Contributed equity	23,404,024	22,012,557
Reserves	2,006,948	159,021
Retained earnings	9,389,552	9,226,364
Total parent entity interest in equity	34,800,524	31,397,942
Minority interests	4,333,941	3,296,585
TOTAL EQUITY	39,134,465	34,694,527

The above condensed balance sheet should be read in conjunction with the notes.

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2005

	CONSOLIDATED	
	As at 31 December 2005 \$	As at 31 December 2004 \$
TOTAL EQUITY AT 1 JULY	34,694,527	22,293,431
Share option cost	1,167,155	68,652
Net gain on available-for-sale financial assets, net of tax	680,772	-
NET EXPENSES RECOGNISED IN EQUITY	1,847,927	68,652
PROFIT FOR THE HALF YEAR	12,156,847	10,168,769
TOTAL RECOGNISED INCOME AND EXPENSES FOR THE HALF YEAR	14,004,774	10,237,421
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	1,391,467	8,499,402
Dividends provided for or paid	(5,956,810)	(5,132,898)
Dividends paid to minority interests in subsidiaries	(4,999,943)	(3,759,875)
Minority interest on acquisition of subsidiary	450	-
	(9,564,836)	(393,371)
TOTAL EQUITY AT 31 DECEMBER	39,134,465	32,137,481
Total recognised income and expense for the half-year attributable to:		
Members of Treasury Group Ltd	6,119,998	5,080,301
Minority interest	6,036,849	5,088,468
	12,156,847	10,168,769

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Cash Flow Statement

For the half-year ended 31 December 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
CASH FLOWS FROM CONTINUING OPERATIONS		
Receipts from customers	32,376,375	22,002,663
Payments to suppliers and employees	(15,899,031)	(9,199,062)
Dividends received	1,250	-
Interest received	698,912	508,397
Interest paid	(2,384)	-
Income tax paid	(6,299,875)	(5,478,757)
NET CASH FLOWS FROM CONTINUING OPERATIONS	10,875,247	7,833,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(226,385)	(83,831)
Proceeds from security deposits	-	19,001
Purchase of shares and units	(250,100)	-
Proceeds from sale of shares and units	39,106	-
Payment for investment in associates	(4,200,000)	(100,000)
Repayment from an associate	2,106,021	350,000
NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES	(2,531,358)	185,170
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	1,391,467	8,499,402
Payment of dividends on ordinary shares	(5,956,810)	(5,132,898)
Payment for finance leases	(8,245)	(8,245)
Payment of dividends on ordinary shares to outside equity interests	(6,999,841)	(3,534,877)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES	(11,573,429)	(176,618)
NET (DECREASE) / INCREASE IN CASH HELD	(3,229,540)	7,841,793
Add opening cash brought forward	22,254,205	13,621,661
CLOSING CASH CARRIED FORWARD	19,024,665	21,463,454

The condensed cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Treasury Group Ltd as at 30 June 2005. It is also recommended that the half-year financial report be considered together with any public announcements made by Treasury Group Ltd and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “*Interim Financial Reporting*” and other mandatory professional reporting requirements.

This interim financial report is the first Treasury Group Ltd interim financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (‘AIFRS’). AASB 1 “*First time Adoption of Australian Equivalents to International Financial Reporting Standards*” has been applied in preparing these financial statements.

Financial statements of Treasury Group Ltd until 30 June 2005 were prepared based on Australian Accounting Standards applicable before 1 January 2005. These differed in certain respects from AIFRS. When preparing the Treasury Group Ltd interim financial report for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The group has taken the exemption available under AASB 1 to only apply AASB 132 “*Financial Instruments: Disclosure and Presentation*” and AASB 139 “*Financial Instruments: Recognition and Measurement*” from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous Australian Accounting Standards to AIFRS on the Group’s equity and its net income are given in note 9.

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

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

(b) 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

Revenue is recognised when 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

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders’ right to receive the payment is established

Share trading

Revenue is recognised when control of the shares has passed to the buyer.

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Treasury Group Ltd (the parent company) and all entities that Treasury Group Ltd controlled from time to time during the period 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.

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.

(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>2005 & 2004</u>
Furniture & fittings:	8 – 13 years
Office equipment:	4 – 10 years
Leasehold improvements:	Straight line over the life of the lease

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Comparatives

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

(j) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative value of operation disposed of and the portion of the cash-generating unit retained.

Management has elected not to apply AASB 3 retrospectively and hence amortisation charged prior to the transition date has not been reversed.

(k) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market prices at the close of business on the balance sheet date.

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Investments (Cont.)

Management has applied the exemption provided in AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These standards have been applied from 1 July 2005. Prior to 1 July 2005 investments were included valued at cost.

(m) Taxes

Income Taxes

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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.

Tax Consolidation Legislation

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

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Taxes (Cont.)

As a consequence, Treasury Group Ltd, 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.

(n) 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.

(o) 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.

(p) 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.

(q) Contributed equity

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

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(r) 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.

(s) 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.

(t) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- (i) The Employee Share Option Plan, which provides benefits to directors, senior executives and employees of the subsidiaries of the Group.
- (ii) The Employee Share Plan, which provides the opportunity to the employees (including directors) of one of the subsidiaries of the Group to purchase shares in the parent company at a discount.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Treasury Group Ltd ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of Treasury Group Ltd, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(t) Share-based payments (Cont.)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has applied the requirements of AASB 1 *'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'* in respect of equity-settled awards and has applied AASB 2 *'Share based payments'* only to equity instruments granted after 7 November 2002 that had not vested before 1 January 2005.

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

	CONSOLIDATED	
	31 DECEMBER 2005 \$	31 DECEMBER 2004 \$
2. REVENUE		
Fund management fees	22,978,750	18,987,142
Management fees	207,837	154,296
Interest income	698,912	602,865
Other income	559,939	523,623
	24,445,438	20,267,926
3. EXPENSES FROM ORDINARY ACTIVITIES		
Depreciation of plant and equipment	174,866	106,310
Fund administration	1,174,714	873,206
Salaries and employee benefits	4,886,145	3,421,456
Accounting & audit fee	105,150	121,550
Insurance charges	136,512	167,204
Marketing & stationery expenses	453,464	293,303
Operating lease rental – minimum lease payments	226,383	208,681
Travel & entertainment costs	364,254	213,364
Payroll tax	374,640	196,486
Subscriptions	201,436	24,126
Interest expense	2,384	-
Other expenses	829,629	515,033
	8,929,577	6,140,719
4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
Dividends paid or provided for in the current and comparative periods by Treasury Group Ltd are:		
(a) Dividends proposed and recognised as a liability		
Fully franked dividends	-	-
(b) Dividends paid during the half-year		
Final fully franked dividends	5,956,810	5,132,898
(c) Interim dividends proposed and not recognised as a liability*		
Interim fully franked dividends (18 cents per share) (2004: 13 cents per share)	3,973,546	2,801,317

* Calculation based on the ordinary shares on issue as at 31 January 2006

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

5. CONTINGENT ASSETS AND LIABILITIES

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

6. SEGMENT INFORMATION

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

7. SUBSEQUENT EVENT

On 27 February 2006, the directors of Treasury Group Ltd declared an interim dividend on ordinary shares in respect of the June 2006 half year. The total amount of the dividend is \$3,973,546, which represents a fully franked dividend of 18 cents per share. The dividend has not been provided for in the 31 December 2005 half year financial statements and will be recognised in subsequent financial reports.

8. INVESTMENT IN AN ASSOCIATE

The company exercised a call option and acquired a further 6% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$1,400,000 on 1 July 2005 and a call option for a further 6% for cash consideration of \$2,800,000 on 23 December 2005.

The ownership interest held by the consolidated entity at 31 December 2005 is 41.9%.

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(i) At the date of transition to AIFRS: 1 July 2004

	Notes	CONSOLIDATED		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS
	9 (c)	\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents		13,595,385	-	13,595,385
Trade receivables		9,589,187	-	9,589,187
Other financial assets		2,500,000	-	2,500,000
Other		94,071	-	94,071
TOTAL CURRENT ASSETS		25,778,643	-	25,778,643
NON-CURRENT ASSETS				
Trade receivables		2,427,819	-	2,427,819
Other financial assets		100,600	-	100,600
Deferred income tax assets		192,485	-	192,485
Investments accounted for using the equity method	(i)	1,125,636	(70,672)	1,054,964
Plant and equipment		556,595	-	556,595
Intangible assets	(i)	1,664,550	(18,413)	1,646,137
Other		226,335	-	226,335
TOTAL NON-CURRENT ASSETS		6,294,020	(89,085)	6,204,935
TOTAL ASSETS		32,072,663	(89,085)	31,983,578
CURRENT LIABILITIES				
Trade Payables		4,266,777	-	4,266,777
Provisions		1,208,711	-	1,208,711
Current tax liabilities		4,137,096	-	4,137,096
TOTAL CURRENT LIABILITIES		9,612,584	-	9,612,584
NON-CURRENT LIABILITIES				
Payables		77,563	-	77,563
TOTAL NON-CURRENT LIABILITIES		77,563	-	77,563
TOTAL LIABILITIES		9,690,147	-	9,690,147
NET ASSETS		22,382,516	(89,085)	22,293,431

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

a.(i) At the date of transition to AIFRS: 1 July 2004 (continued)

	Notes	CONSOLIDATED		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
EQUITY				
Parent entity interest in equity				
Contributed equity		13,075,623	-	13,075,623
Reserves		-	-	-
Retained earnings	(i)	4,664,475	(89,085)	4,575,390
Total parent entity interest in equity		17,740,098	(89,085)	17,651,013
Minority interests		4,642,418	-	4,642,418
TOTAL EQUITY		22,382,516	(89,085)	22,293,431

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

a.(ii) At the end of the last half-year reporting period under AGAAP: 31 December 2004

	Notes	CONSOLIDATED		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS
	9 (c)	\$	\$	\$
CURRENT ASSETS				
Cash and Cash equivalents		21,463,454	-	21,463,454
Trade receivables		9,218,091	-	9,218,091
Other financial assets		2,500,000	-	2,500,000
Other		311,794	-	311,794
TOTAL CURRENT ASSETS		33,493,339	-	33,493,339
NON-CURRENT ASSETS				
Trade receivables		2,171,685	-	2,171,685
Other financial assets		100,600	-	100,600
Deferred income tax assets		100,999	-	100,999
Investments accounted for using the equity method	(i), (ii)	1,587,962	(13,716)	1,574,246
Plant and equipment		534,116	-	534,116
Intangible assets	(i), (ii)	1,615,856	30,282	1,646,138
Other		179,792	-	179,792
TOTAL NON-CURRENT ASSETS		6,291,010	16,566	6,307,576
TOTAL ASSETS		39,784,349	16,566	39,800,915
CURRENT LIABILITIES				
Trade payables		2,771,228	-	2,771,228
Provisions		1,878,315	-	1,878,315
Current income tax liabilities		2,944,573	-	2,944,573
TOTAL CURRENT LIABILITIES		7,594,116	-	7,594,116
NON-CURRENT LIABILITIES				
Payables		69,318	-	69,318
TOTAL NON-CURRENT LIABILITIES		69,318	-	69,318
TOTAL LIABILITIES		7,663,434	-	7,663,434
NET ASSETS		32,120,915	16,566	32,137,481

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (continued)

a.(ii) At the end of the last half-year reporting period under AGAAP: 31 December 2004 (continued)

	Notes	CONSOLIDATED		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS
	9 (c)	\$	\$	\$
EQUITY				
Parent entity interest in equity				
Contributed equity		21,575,025	-	21,575,025
Reserves	(iii)	-	68,652	68,652
Retained earnings	(i), (ii), (iii)	4,559,007	(36,215)	4,522,792
Total parent entity interest in equity		26,134,032	32,437	26,166,469
Minority interests	(iii)	5,986,883	(15,871)	5,971,012
TOTAL EQUITY		32,120,915	16,566	32,137,481

Reconciliation of profit for the year ended 31 December 2004

Revenue		20,267,926	-	20,267,926
Salaries and employee benefits expenses	(iii)	(3,352,806)	(68,652)	(3,421,458)
Fund management and administration fees		(873,206)	-	(873,206)
Other expenses from ordinary activities	(i), (ii)	(1,894,750)	48,695	(1,846,055)
Share of net profits of associates accounted for using the equity method	(i), (ii)	362,326	56,956	419,282
Profit before income tax		14,509,490	36,999	14,546,489
Income tax expense		(4,377,720)	-	(4,377,720)
Profit for the year		10,131,770	36,999	10,168,769
Profit attributable to minority interest	(iii)	(5,104,339)	15,871	(5,088,468)
Profit attributable to members of Treasury Group Ltd		5,028,431	52,870	5,080,301

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (Cont.)

a.(iii) At the end of the last reporting period under AGAAP: 30 June 2005

	Notes	Previous AGAAP	CONSOLIDATED Effect of transition to AIFRS	AIFRS
	9 (c)	\$	\$	\$
CURRENT ASSETS				
Cash assets		22,254,205	-	22,254,205
Receivables		16,362,406	-	16,362,406
Other financial assets		5,619,477	-	5,619,477
Other		357,531	-	357,531
TOTAL CURRENT ASSETS		44,593,619	-	44,593,619
NON-CURRENT ASSETS				
Receivables		216,366	-	216,366
Other financial assets		163,100	-	163,100
Deferred income tax assets		305,694	-	305,694
Investments accounted for using the equity method	(i), (ii)	2,252,554	43,238	2,295,792
Plant and equipment		958,324	-	958,324
Intangible assets	(i), (ii)	1,567,164	78,975	1,646,139
Other		315,685	-	315,685
TOTAL NON-CURRENT ASSETS		5,778,887	122,213	5,901,100
TOTAL ASSETS		50,372,506	122,213	50,494,719
CURRENT LIABILITIES				
Payables		7,009,450	-	7,009,450
Provisions		4,749,682	-	4,749,682
Current tax liabilities		3,979,988	-	3,979,988
TOTAL CURRENT LIABILITIES		15,739,120	-	15,739,120
NON-CURRENT LIABILITIES				
Payables		61,072	-	61,072
TOTAL NON-CURRENT LIABILITIES		61,072	-	61,072
TOTAL LIABILITIES		15,800,192	-	15,800,192
NET ASSETS		34,572,314	122,213	34,694,527

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (Cont.)

a.(iii) At the end of the last reporting period under AGAAP: 30 June 2005 (Cont.)

	Notes	CONSOLIDATED		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS
	9 (c)	\$	\$	\$
EQUITY				
Parent entity interest in equity				
Contributed equity		22,012,557	-	22,012,557
Reserves	(iii)	-	159,021	159,021
Retained earnings	(i), (ii), (iii)	9,231,187	(4,821)	9,226,366
Total parent entity interest in equity		31,243,744	154,200	31,397,944
Total outside equity interest	(iii)	3,328,570	(31,987)	3,296,583
TOTAL EQUITY		34,572,314	122,213	34,694,527

Reconciliation of profit for the year ended 30 June 2005

Revenue		46,653,643	-	46,653,643
Salaries and employee benefits expenses	(iii)	(8,300,112)	(159,021)	(8,459,133)
Fund management and administration fees		(2,802,657)	-	(2,802,657)
Other expenses from ordinary activities	(i), (ii)	(4,131,592)	97,388	(4,034,204)
Share of net profits of associates accounted for using the equity method	(i), (ii)	1,748,034	113,910	1,861,944
Profit before income tax		33,167,316	52,277	33,219,593
Income tax expense		(9,425,919)	-	(9,425,919)
Profit for the year		23,741,397	52,277	23,793,674
Profit attributable to minority interest	(iii)	(11,220,797)	31,987	(11,188,810)
Profit attributable to members of Treasury Group Ltd		12,520,600	84,264	12,604,864

(b) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow.

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (Cont.)

(c) Notes to the reconciliations

(i) Establishment Costs

Under AASB 138 *Intangible Assets*, costs incurred in the start up phase of a company would be expensed. The Group's policy under AGAAP allowed for the capitalisation of such costs where future benefits were expected. These costs had to be expensed under AIFRS. The effect of this is:

Balance Sheet

At 1 July 2004

For the Group there has been a decrease in intangible assets of \$18,413 and a decrease in retained earnings of \$18,413.

One of the Group's associated entities also carried establishment costs of \$236,361 on its balance sheet, which were written off as at 1 July 2004. This has reduced the carrying value of the associated entity and retained earnings by \$70,672 on the Group's balance sheet.

At 31 December 2004

For the Group there has been a decrease in intangible assets of \$17,928 and a decrease in retained earnings of \$17,928.

One of the Group's associated entities also carried establishment costs on its balance sheet, which were written off as at 1 July 2004. As it is no longer amortising the establishment costs, the carrying value of the equity accounted investment increased by \$14,470 and retained earnings increased by \$14,470.

One of the Group's associated entities also carried establishment costs of \$236,361 on its balance sheet, which were written off as at 1 July 2004. This has reduced the carrying value of the associated entity and retained earnings by \$70,672 on the Group's balance sheet.

At 30 June 2005

For the Group there has been a decrease in intangible assets of \$17,443 and a decrease in retained earnings of \$17,443.

One of the Group's associated entities also carried establishment costs on its balance sheet which were written off as at 1 July 2004. As it is no longer amortising the establishment costs, the carrying value of the equity accounted investment increased by \$28,940 and retained earnings increased by \$28,940.

One of the Group's associated entities also carried establishment costs of \$236,361 on its balance sheet, which were written off as at 1 July 2004. This has reduced the carrying value of the associated entity and retained earnings by \$70,672 on the Group's balance sheet.

Income Statement

For the half-year ended 31 December 2004

For the Group amortisation charges decreased by \$485.

For the Group there has been an increase in the share of profits from associates of \$14,470.

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (Cont.)

(c) Notes to the reconciliations (Cont.)

(i) Establishment Costs (Cont.)

For the year ended 30 June 2005

For the Group amortisation charges decreased by \$970.

For the Group there has been an increase in the share of profits from associates of \$28,940.

(ii) Amortisation of goodwill

Under AASB 3 '*Business Combinations*' goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. The Group previously amortised goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation is no longer to be charged, but goodwill would be written down to the extent it is impaired. An impairment test has been conducted. No impairment has been identified.

The Group has elected not to apply to any business combinations which occurred before 1 July 2004.

The effect is:

Balance Sheet

At 1 July 2004

There is no effect on the Group.

At 31 December 2004

For the Group there has been an increase in intangible assets of \$48,210 and an increase in retained earnings of \$48,210.

For the Group there has been an increase in the value of equity accounted investments of \$42,486 and an increase in retained earnings of \$42,486.

At 30 June 2005

For the group there has been an increase in intangible assets of \$96,418 and an increase in retained earnings of \$96,418.

For the Group there has been an increase in the value of equity accounted investments of \$84,970 and an increase in retained earnings of \$84,970.

Income Statement

For the half-year ended 31 December 2004

For the Group the amortisation charge decreased by \$48,210 and retained earnings increased by \$48,210.

For the Group there has been an increase in the share of profits from associates of \$42,486 and an increase in retained earnings of \$42,486.

For the year ended 30 June 2005

For the Group the amortisation charge decreased by \$96,418.

For the Group there has been an increase in the share of profits from associates of \$84,970.

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (Cont.)

(c) Notes to the reconciliations (Cont.)

(iii) Share based payments

Under AASB 2 *Share Based Payments*, the company recognises the fair value of options issued to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement. Share-based payment costs were not recognised under AGAAP. The effect is:

Balance Sheet

At 1 July 2004

There is no effect on the Group.

At 31 December 2004

For the Group retained earnings decrease by \$52,781, Outside Equity Interests decrease by \$15,871 and reserves increase by \$68,652.

At 30 June 2005

For the Group retained earnings decrease by \$127,034, Outside Equity Interests decrease by \$31,987 and reserves increase by \$159,021.

Income Statement

For the half year ended 31 December 2004

The Group's employment expenses increased by \$68,652 and the profit attributable to minority interests decreased by \$15,871.

For the year ended 30 June 2005

The Group's employment expenses increased by \$159,021 and the profit attributable to minority interests decreased by \$31,987.

(d) Impact of adopting AASB 132 'Financial Instruments: disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'

The Group elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the areas impacted upon adoption of AASB 132 and AASB 139, including the financial impact to equity and profit.

Item

Available for sale investments

AGAAP

Listed and unlisted securities were held at lower of cost and net realisable value and classified as other financial assets

AIFRS

Under AASB 139, these are classified as available-for-sale and carried at fair value. Movements in fair value are accounted for in equity.

Notes to the Half-Year Financial Statements continued

For the half-year ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (Cont.)

(d) Impact of adopting AASB 132 'Financial Instruments: disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' (Cont.)

Impact

Reclassification of other financial assets (current) with a carrying value of \$5,619,477 to available for sale investments. Increase in available-for-sale investments of \$386,000 on re-measurement of investment to fair value. Difference is recognised net of taxation in reserves. The tax impact of the revaluation of \$115,800 is recognised as a deferred tax liability.

Reclassification of other financial assets (non-current) to available-for-sale investments. Increase in available for sale investments of \$50,461 on re-measurement of investment to fair value. Difference is recognised net of taxation in reserves. The tax impact of the revaluation of \$15,138 is recognised as a deferred tax liability.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 '*Interim Financial Reporting*' and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



M. Fitzpatrick
Chairman

Melbourne, 27 February 2006

Independent review report to members of Treasury Group Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements for the consolidated entity comprising both Treasury Group Ltd and the entities it controlled during the period, and the directors' declaration, for the company, for the period ended 31 December 2005.

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 consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

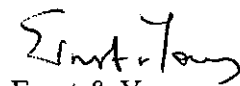
Independence

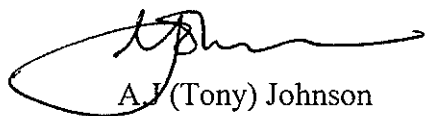
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Treasury Group Ltd and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.


Ernst & Young



A.J. (Tony) Johnson
Partner

Melbourne

Date: 27 February 2006