

TREASURY GROUP LTD
ABN 39 006 708 792

AND CONTROLLED ENTITIES

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2011
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E Preliminary Final Report

Name of entity

Treasury Group Limited

ABN : 39 006 708 792

1. Reporting period

Report for the financial year ended	30 June 2011
Previous corresponding period is the financial year ended	30 June 2010

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	down	19.8%	to	<u>A\$'000s</u> 4,493
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	14.3%	to	10,005
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	down	14.3%	to	10,005
Dividends (<i>item 2.4</i>)		Amount per security		Franked amount per security
Interim dividend		14 cents		100%
Final dividend		20 cents		100%
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	7 September 2011			
<p>Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):</p> <p>Revenues from ordinary activities have declined in the current year due to a change in the structure of Premium Investors Limited from which Treasury Group Investment Services Limited earns management fees in its capacity as Investment manager. This change resulted in fees previously received on a gross basis and portion from this fee paid to sub investment management are now received on a net basis which decreased revenue recorded from these activities. In addition loans to jointly controlled entities were repaid resulting in lower interest income.</p>				

Results Commentary

A copy of the financial report for the year ended 30 June 2011 is attached. Treasury Group Limited (TRG) and its subsidiaries, jointly controlled entities and associates (Group) reflect the consolidation of results of the following entities:

Treasury Group Limited (head company)	
Treasury Group Investment Services Limited	(100%)

The results reflect the recognition of the share of profits of the following associate and jointly controlled entities:

Orion Asset Management Limited	(41.99%)
Investors Mutual Limited (consolidated)	(47.50%)
Global Value Investors Limited	(47.56%)
Treasury Asia Asset Management Limited	(40.00%)
RARE Infrastructure Limited	(40.00%)
RARE IP Trust	(40.00%)
IML Investment Partners Limited (formerly Cannae)	(40.00%)
Celeste Funds Management Limited	(39.17%)
AR Capital Management Pty Ltd	(30.00%)
Aubrey Capital Management Pty Ltd	(0%)*

* Treasury Group Limited acquired convertible preference shares which will entitle TRG to take 20% of its capital.

Treasury Group's net profit after tax was \$10.01 million. This was down 14% from the headline number of \$11.67 million in 2010 which included a number of one off items. Earnings per share fell from 50.6 cents to 43.4 cents. When the results are analysed on a like for like basis, the comparative position would be a reduction in net profit of 4.3%. The analysis below highlights the relative impact of one off items in the previous year's headline result:

	<u>2011 (\$m)</u>	<u>2010 (\$m)</u>
Net profit after tax	10.01	11.67
Add back:		
Write off of CCP notes		0.09
Restructuring costs		0.26
Acquisition and due diligence		<u>0.15</u>
	<u>10.01</u>	12.17
Less:		
Reversal of option amortisation	0.21	0.85
Reversal of loan impairment		0.35
Gain on acquisition of Celeste		0.55
Realised gain on sale of investments	<u>0.06</u>	<u>0.24</u>
Underlying net profit	9.74	10.18

The important feature of the 2010/11 result was the continued diversification of TRG's business by earnings, by manager, by client and by geography. Though it should be noted the overall profitability of the group has decreased due to a continued shift in the mix of margins earned on the FUM of the portfolio.

On 24 March 2011 Mark Burgess provided notice of his resignation from TRG, with his resignation taking place on 24 June 2011. In accordance with the terms of the Employee Option Plan, the options assigned to Mark Burgess lapsed and have been terminated which has resulted in a positive re-charge to share based payment expense relating to prior period charges for these options.

For the details, please refer to the attached Annual Report for the year ended 30 June 2011.

3. Income Statement (item 3)

Refer to the attached statement

4. Balance Sheet (item 4)

Refer to the attached statement

5. Statement of Cash Flows (item 5)

Refer to the attached statement

6. Dividends (item 6)

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2011	25 March 2011	\$3,229,906
Final dividend – year ended 30 June 2011	28 September 2011	\$4,614,151

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend: Current year	34 cents	100%	n/a
Previous year	26 cents	100%	n/a

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	7,844	5,998
Preference securities (each class separately)	n/a	n/a
Other equity instruments (each class separately)	n/a	n/a
Total	7,844	5,998

7. Details of dividend or distribution reinvestment plans in operation are described below (item 7):

Not applicable.

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

Not applicable

8. Statement of retained earnings (item 8)

Refer Note 18 (e) in the attached 30 June 2011 Annual Report.

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$2.56	\$2.43

10. Details of entities over which control has been gained or lost during the period: (item 10)

Control gained over entities

Name of entities (item 4.1)	N/A.
Date(s) of gain of control (item 4.2)	N/A.

Loss of control of entities

Name of entities (item 4.1)	N/A.
Date(s) of loss of control (item 4.2)	N/A.
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).	N/A.
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A.

11. Details of associates and joint venture entities

Name of associate or joint venture entity	% Securities held
Investors Mutual Limited	47.50
Orion Asset Management (Aust) Pty Ltd	41.99
RARE Infrastructure Ltd	40.00
Global Value Investors Limited*	25.00
Treasury Asia Asset Management Limited	40.00
RARE IP Trust	40.00
IML Investment Partners Limited (formerly Cannae Capital Partners Limited)	40.00
Celeste Funds Management Ltd	39.17
AR Capital Management Pty Ltd	30.00
Aubrey Capital Management Ltd^	0

* This direct equity ownership in GVI does not include the indirect 22.56% (2010: 23.75%) TRG Group equity ownership held via IML to GVI.

^ Treasury Group Limited acquired convertible preference shares which could entitle TRG to take 20% of its capital.

Aggregate share of profits of associates and joint venture entities

Group's share of associates and joint venture entities:	2011	2010
	\$'000	\$'000
Profit from ordinary activities before tax	20,021	20,064
Income tax on ordinary activities	(6,006)	(6,019)
Net profit from ordinary activities after tax	14,015	14,045
Adjustments	-	-
Share of net profit of associates and joint venture entities	14,015	14,045

12. Significant information relating to the entity's financial performance and financial position.

Refer note on results commentary.

13. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian accounting standards (item 13).

14. Commentary on the results for the period.

Include significant information needed by an investor to make an informed assessment of the entity's activities and results, including discussion of the following:

Item 14.1 Earnings per security and nature of any dilution aspects

Item 14.2 Returns to shareholders including distributions and buy backs

Item 14.3 Significant features of operating performance

Item 14.4 Results of segments that are significant to understanding the business as a whole

Item 14.5 A discussion of trends in performance

Item 14.6 Any other factors that have affected results in the period or likely to affect future results, including those where the effect could not be quantified

15. Audit of the financial report

The financial report has been audited and an unqualified opinion has been issued



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Reema Ramswarup

Company Secretary

24 August, 2011

Treasury Group Ltd

Annual Report 2011

Corporate Information

ABN 39 006 708 792

Directors

M. Fitzpatrick (Chairman)
M. Burgess (resigned 24 June 2011)
D. Cooper
P. Kennedy
R. Hayes

Chief Executive Officer

Andrew McGill

Company Secretary

Reema Ramswarup

Registered Office

Level 5
50 Margaret Street
Sydney, NSW, 2000
Phone (02) 8243 - 0400
Facsimile (02) 8243 - 0410

Bankers

Westpac Banking Corporation

Share Register

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

Auditors

Deloitte Touche Tohmatsu

Internet Address

www.treasurygroup.com

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Directors' Report

Your Directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are listed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Fitzpatrick, (Chairman) B. Eng. B (Oxon) Honours

Mr Fitzpatrick joined the Board on 5 October 2004. He was the founder and Managing Director of Hastings Funds Management Limited. Prior to establishing Hastings in 1994, he was a Director of Credit Suisse First Boston. He is also a Director of Rio Tinto Ltd, Rio Tinto plc, Chairman of the Australian Football League and former Chairman of the Australian Sports Commission. Mr Fitzpatrick is also a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mark Burgess, (Managing Director) (resigned 24 June 2011)

Mark Burgess joined the board on 17 December 2008 and resigned on 24 June 2011, having been the Chief Executive Officer (CEO) of the Company since October 2008 until June 2011. Prior to joining the Company, Mr Burgess worked at Credit Suisse Asset Management as Executive Vice Chairman and CEO for Europe, Middle East & Africa.

David Cooper, (Non-Executive Director) B. Ec. /Fin

Mr Cooper joined the board on 8 August 2005, and was the Chief Executive Officer (CEO) of the Company from July 2004 until October 2008. Mr Cooper joined Treasury Group Limited in July 2002 as Strategic Investments Manager. Prior to joining the Company, he was the Head of the Institutional Division at Perpetual Investments Ltd. Mr Cooper acted in an executive capacity from 24 March 2011 to 12 July 2011.

Peter Kennedy, (Non-Executive Director) B.Ec. L.L.M.

Mr Kennedy joined the Board on 4 June 2003, is the Managing Partner with Madgwicks lawyers and has over 30 years experience in commercial law. He is the Chairman of the Audit Committee and the Remuneration Committee. Mr Kennedy has also served as a Chairman of Australian Value Funds Management Limited (now called Prime Financial Group Ltd).

He is the Chairman of the Audit and Remuneration Committee.

Reubert Hayes, (Non-Executive Director) SF Fin, FAICD

Reubert Hayes joined the Board on 22 February 2007. Mr Hayes has over 40 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's 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 and a Fellow of the Australian Institute of Company Directors. Mr Hayes has also been a director of Premium Investors Limited (a listed investment company) since 18 February 2009.

He is the Chairman of the Nomination Committee and sits in the Audit and Remuneration Committee.

Directors Report

COMPANY SECRETARY

Reema Ramswarup, BA (Justice Administration)

Ms Ramswarup commenced with Treasury Group Limited in March 2008. She has worked in company secretarial roles at Watty1 and AMP and has secretariat experience in local government and professional services. Ms Ramswarup has completed the Graduate Diploma in Applied Corporate Governance and is a member of Chartered Secretaries Australia.

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
D. Cooper	633,000	-
M. Fitzpatrick	2,701,285	-
R. Hayes	-	-
P. Kennedy	181,200	-

EARNINGS PER SHARE

	Cents
Basic earnings per share	43.4
Diluted earnings per share	43.4

DIVIDENDS

Final dividend recommended:

- on ordinary shares (fully franked)

Cents	\$
20	<u>4,614,151</u>

Dividend paid in the year:

Interim for the year

- on ordinary shares (fully franked) paid on 25 March 2011

14	<u>3,229,906</u>
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Final for 2010 shown as recommended in the 2010 report

- on ordinary shares (fully franked) paid on 25 September 2010

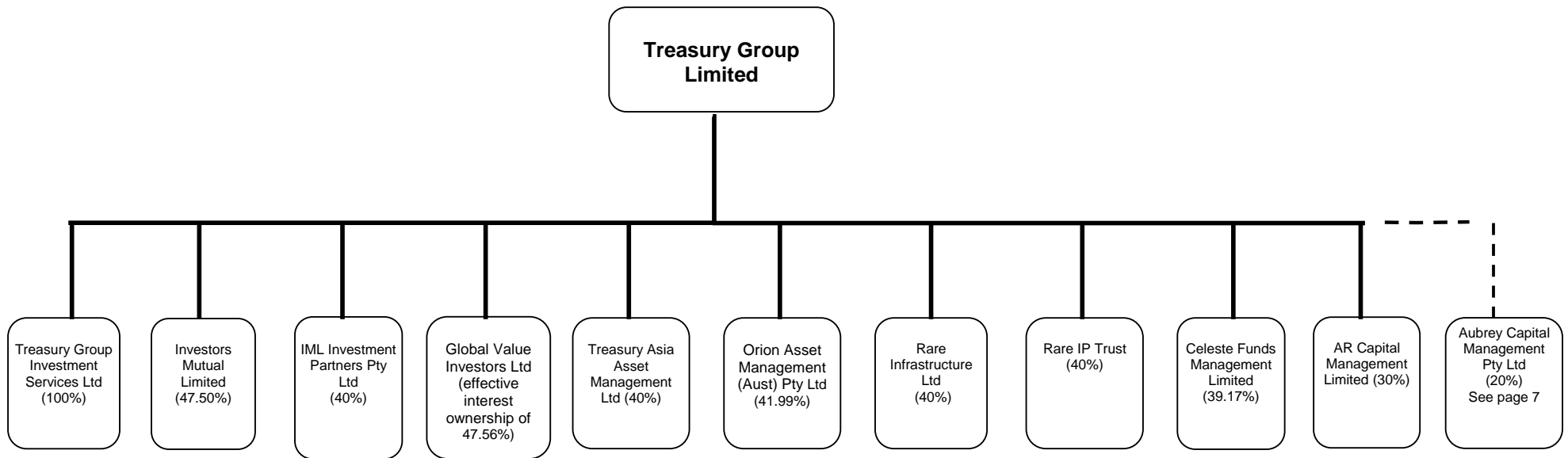
14	<u><u>3,229,906</u></u>
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Directors Report

CORPORATE INFORMATION

Corporate structure

Treasury Group Limited is a company limited by shares and is incorporated and domiciled in Australia. Treasury Group Limited has prepared a consolidated financial report incorporating the entities that it controlled and jointly controlled during the financial year. The Group's corporate structure as at the date of this report is as follows:



Directors Report

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 23 full time equivalent employees as at 30 June 2011 (2010: 23 employees). The consolidated entity includes Treasury Group Limited (parent entity) and Treasury Group Investment Services Limited.

OPERATIONS AND FINANCIAL REVIEW

Group Overview

Funds Management

Australian Equities

Investors Mutual Limited (IML) provides a funds management capability to both institutional and retail investors. The consolidated entity holds 47.5% of the issued capital of IML. Investors Mutual Limited is considered a jointly controlled entity of the Group.

IML Investment Partners Limited, a jointly controlled entity of Treasury Group Limited undertakes a sub advisory role to exclusively manage funds for Investors Mutual Limited and its institutional clients. Treasury Group Limited has a 40% interest in the sub advisory business with the investment team holding the remaining 60% of equity.

Orion Asset Management Ltd, a wholly-owned controlled entity of Orion Asset Management (Aust) Pty Ltd, provides funds management services to a range of institutions. Orion Asset Management Ltd is considered a jointly controlled entity of the Group.

Celeste Funds Management Limited is an Australian equity manager with a smaller companies focus. Treasury Group Limited acquired 39.17% equity with the majority of ownership being held by the investment team of Celeste Funds Management Limited. Celeste Funds Management Limited is considered a jointly controlled entity of the Group.

International Equities

Global Value Investors Ltd invests in global industrial companies that exhibit recurring earnings, and a strong, stable and competitive business. Treasury Group Limited holds 25% of the issued share capital with the remainder being held by Investors Mutual Limited and employees of GVI. Treasury Group Limited effectively owns 47.56% of GVI. GVI is considered a jointly controlled entity of the Group.

Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific Region. Treasury Asia Asset Management Ltd is considered a jointly controlled entity of the Group.

Aubrey Capital Management is a global growth equity thematic manager based in Edinburgh, Scotland. Treasury Group Limited holds convertible preference shares that entitle Treasury Group Limited to take 20% of the equity capital of Aubrey Capital Management. The convertible preference shares are treated as available for sale assets by the Group. In addition, Treasury Group Limited was issued two options which will allow Treasury Group Ltd to acquire a further 10% if certain conditions are met.

Alternative Equities

RARE Infrastructure Ltd (RARE) and RARE IP Trust (RIP) are boutique asset managers specialising in listed global infrastructure. Treasury Group Limited owns 40% each of RARE and RIP. RARE and RIP are considered as jointly controlled entities of the Group.

AR Capital Management Pty Limited is an Australian equity absolute return manager. The consolidated entity holds 30% of the issued capital of AR Capital Management Pty Limited. AR Capital Management Pty Limited is considered a jointly controlled entity of the Group.

Funds Management, Administration & Compliance Services

Treasury Group Investment Services Limited, a wholly-owned controlled entity of Treasury Group Limited, is the manager of a listed investment company, Premium Investors Limited (PRV). PRV was listed on the Australian Stock Exchange on 27 November 2003.

Directors Report

Operating Results for the Year

The consolidated profit for the year attributable to members of Treasury Group Limited amounted to \$10,005,104 (2010: \$11,676,131). The net profit after tax of the group as reported in the current year has decreased compared to the 30 June 2010 comparative result principally due to the absence of favourable one off items as experienced in the prior comparative period. These one off items are shown in the table below:

	CONSOLIDATED	
	2011	2010
	\$	\$
Net profit for the year	10,005,104	11,676,131
Add back:		
- Write off of CCP convertible notes	-	90,048
- Restructuring costs	-	255,000
- Acquisitions and due diligence	-	154,000
	10,005,104	12,175,179
Less:		
- Reversal of option amortisation	215,731	847,000
- Reversal of loan impairment	-	347,000
- Gain on acquisition of Celeste	-	550,335
- Realised gain on sale of investments	61,944	244,000
Normalised profit	9,727,429	10,186,844

During the year, Treasury Group Limited acquired units in Aubrey Global Conviction Fund, Global Industrial Share Fund Unhedged and Ascot Cayman Fund. Costs of investments were \$2,000,000, \$1,000,000 and \$1,000,000 respectively. These investments represent seed capital to assist in the growth and marketing of these products.

As a result of his giving notice to resign on 24 March 2011, in accordance with the terms of the Employee Option Plan, Mr Burgess' remaining 1,000,000 options lapsed and have been terminated. This resulted in a positive re-charge to share based payment expense relating to prior period charges for these options in the amount of \$215,731.

Earnings Per Share

The earnings for the last financial year reflect the volatile and turbulent global financial markets experienced during the last 12 months.

	2011	2010
Basic earnings per share (cents)	43.4	50.6
Diluted earnings per share (cents)	43.4	50.6

REVIEW OF FINANCIAL CONDITIONS

Capital Structure

The Group has a sound capital structure. This is evident from the Company's positive cash flow position and that no borrowing facilities have been required to date to fund the growth activities of the Group.

During the financial year the Company did not conduct any buy-back schemes to reduce its share capital (2010: nil).

Cash Flow from Operations

Net cash flow from operating activities increased by \$1.0m to \$7.8m or by 15% over the year. Gross operating cashflows for receipts from customers and payments to suppliers are higher in the current year due to the timing of collections of management fees by Treasury Group Investment Services Limited, a wholly owned subsidiary of the Group, from Managed Investment Schemes for which it acts as Responsible Entity and the subsequent payment of the management fees on to the Investment Managers for each of the respective Managed Investment Schemes.

Treasury Group Investment Services Limited, a wholly owned subsidiary of the Group, is required to retain Net Assets of \$5m for regulatory capital requirements as a holder of an Australian Financial Services Licence with ASIC and operating as a Responsible Entity of Managed Investment Schemes.

During the year, the Company paid \$6,459,812 in dividends. Consolidated cash balance as at 30 June 2011 is \$10,088,968.

Directors Report

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 monitoring of key performance indicators of both a financial and non-financial nature; and
- The establishment of an investment review panel with the express purpose of examining new asset management opportunities for the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 24 March 2011, Mr Burgess gave notice of resignation to leave Treasury Group Limited on 24 June 2011. Accordingly, Mr Cooper stepped in to provide interim executive support until Mr. Burgess' replacement joined Treasury Group Limited. On 9 June 2011, Mr Andrew McGill was appointed as the new Chief Executive Officer of Treasury Group Limited. He commenced in his executive capacity on 12 July 2011 and Mr Cooper ceased to act in an executive capacity from this date resuming his role as non-executive director.

Other than the information provided above, there have been no other significant changes in the state of affairs of the Company during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 12 July 2011, Mr Andrew McGill commenced in his executive capacity as Chief Executive Officer of Treasury Group Limited. As part of his remuneration package, Mr McGill will receive both fixed and variable remuneration. The fixed remuneration consists of an annual salary of \$450,000. The variable remuneration includes short and long term incentives (refer to the Remuneration Report for further information on Mr McGill's contract). Mr Cooper also ceased to act in an executive capacity on 12 July 2011 resuming his role as a non-executive director.

On 12 July 2011, Treasury Group Limited acquired units in the Orion Sirius Fund for \$1,000,000. This investment represents seed capital to assist in the growth and marketing of this product.

On 17 August 2011, Ms Christine Feldmanis, the Managing Director of Treasury Group Investment Services Ltd gave notice of resignation to leave the Company.

On 24 August 2011, the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$4,614,151 which represents a fully franked dividend of 20 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, disclosure of information regarding likely developments in the operations of the Group and the expected results of those operations, other than matters referred to in the Chairman's address, would prejudice the consolidated entity's interests. Accordingly no further information is included in this report.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 275,000 unissued ordinary shares under options (275,000 at reporting date) held by employees of the Group and its jointly controlled entities. Further details of the options outstanding to employees of the Group are included in Note 21 to the financial report.

Shares issued as a result of the exercise of options

During the financial year, no options were exercised to acquire fully paid ordinary shares of Treasury Group Limited. No options were exercised since the end of the financial year.

Directors Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company 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 2001;
- (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.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the company against a liability which may be incurred in that person's capacity as an officer of the Company.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements for Directors and Executives of Treasury Group Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Managing Director and senior executives of the Parent and the Group.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Significant portion of Executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director 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.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

In accordance with the ASX Listing Rules the aggregate remuneration of Non-Executive Directors is determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the General Meeting held on 15 November 2006 when shareholders approved an aggregate remuneration of \$650,000 per year for services of Directors as directors of the Company and its subsidiaries.

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. Non-Executive Directors do not receive performance based bonuses from Treasury Group Limited.

Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company, business unit and individual performance targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
 - Short Term Incentive (STI); and
 - Long Term Incentive (LTI)

The proportion of fixed remuneration and variable remuneration is established by the Remuneration Committee.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of performance, relevant comparative remuneration in the market and advice on policies and practices.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI plan is to link the achievement of the Company's operational targets with the remuneration received by the Executives charged with meeting those targets. The STI is fully discretionary in the hands of the Remuneration Committee. The Remuneration Committee receives a recommendation from the Managing Director on executive performance. The Managing Director bases his report on a number of tailored KPIs for each Executive. The total potential STI available is set at a level so as to provide sufficient incentive to the Executive to achieve the operational targets such that the cost to the Company is reasonable.

Structure

Actual STI payments granted to each Executive depend on the achievement of annual corporate profitability measures and each Executive exceeding expectation on their KPIs. Secondary consideration is given to their general value add to the business.

The aggregate of annual STI payments available for Executives across the Company is subject to the approval of the Remuneration Committee. Payments are usually delivered as a cash and equity bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The awarding of the LTIs is fully discretionary in the hands of the Remuneration Committee and granted under the same governance process as detailed for STI's above.

Structure

LTI grants are delivered in the form of options, shares or performance rights.

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

The Company uses the share price as the performance hurdle for the long term incentive plan to ensure alignment between shareholder return and reward for Executives.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each of the Key Management Personnel of the Company and the consolidated entity for the financial year are as follows:

	<u>Short term</u>		<u>Post employment</u>	<u>Share based payments</u>		<u>Other</u>	<u>Total</u>	<u>Performance related</u>
	Salary & fees	Cash Bonus ¹	Super-annuation	Shares	Options ²	Termination benefits		
	\$	\$	\$	\$	\$	\$	\$	
Directors								
M. Fitzpatrick - Chairman								
2011	110,321	-	9,929	-	-	-	120,250	-
2010	97,248	-	8,752	-	-	-	106,000	-
D. Cooper – Non-Executive Director °								
2011	349,707	100,000	12,160	-	-	-	461,867	22%
2010	384,801	240,000	14,461	-	(788,671) ³	-	(149,409)	-
P. Kennedy – Non-Executive Director								
2011	120,000	-	-	-	-	-	120,000	-
2010	91,000	-	-	-	-	-	91,000	-
R. Hayes – Non-Executive Director								
2011	67,660	-	6,089	-	-	-	73,749	-
2010	64,220	-	5,780	-	-	-	70,000	-
M. Burgess – Managing Director (resigned 24 June 2011)								
2011	428,234	100,000	15,199	-	(150,466) ³	-	392,967	25%
2010	435,539	280,000	14,461	-	97,897	-	827,897	46%
Executives								
J. Ferragina - Treasury Group Limited – Chief Financial Officer.								
2011	284,801	150,000	15,199	-	26,943	-	476,943	31%
2010	285,539	150,000	14,461	-	59,426	-	509,426	29%
C. Feldmanis - Treasury Group Investment Services Limited – Managing Director (resigned 17 August 2011)								
2011	284,801	200,000	15,199	-	13,443	-	513,443	39%
2010	285,539	200,000	14,461	-	19,242	-	519,242	39%
R. Sullivan - Treasury Group Limited – Head of Distribution								
2011	284,801	442,443 ^a	15,199	-	33,805	-	776,248	57%
2010	285,539	551,527	14,461	-	120,299	-	971,826	57%
Total remuneration: Key Management and Highest Paid Personnel								
2011	1,930,325	992,443	88,974	-	(76,275)	-	2,935,467	34%
2010	1,929,425	1,421,527	86,837	-	(491,807)	-	2,945,982	48%

¹ Cash bonuses paid to Executives, with the exception of Mr. Sullivan are performance-based and paid every July in the following financial year.

² Refer to note 21 for the vesting conditions of options granted to Executives.

³ As a result of his giving notice to resign on 24 June 2011, in accordance with the terms of the Employee Option Plan, Mr Burgess' remaining 1,000,000 options lapsed and have been terminated. This resulted in a positive re-charge to share based payment expense relating to prior period charges for these options during the year. This is not included in the determination of performance related ratio as per above. In the prior year, Mr Cooper's resignation on 29 June 2010 resulted in the termination of his remaining 650,000 options.

^o When Mr Burgess gave notice of resignation on 24 March 2011 to leave Treasury Group Limited on 24 June 2011, Mr Cooper stepped in to provide interim executive support until Mr. Burgess' replacement joined Treasury Group Limited. On 9 June 2011, Mr Andrew McGill was appointed as the new Chief Executive Officer of Treasury Group Limited. He commenced in his executive capacity on 12 July 2011 and Mr Cooper ceased to act in an executive capacity from this date resuming his role as non-executive director on the same date.

^a Mr. Sullivan earns commissions based on percentage of FUM for confirmation of new mandates and clients to boutiques. These commissions are recovered from the boutiques who have received these new mandates and the distribution services that are provided for them which results in a neutral profit and loss impact to Treasury Group Limited.

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

The table below indicates the relative performance of the Company, wealth created for shareholders and total Key Management Personnel bonus pool. Bonuses are paid on individual and Company performance. The Remuneration Committee has ultimate discretion in determining the bonus pool:

	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Net profit after tax	10,005,104	11,676,131	4,945,543	17,244,317	18,003,774
Share price at start of year (\$)	5.06	4.11	9.21	15.52	10.30
Share price at end of year (\$)	3.96	5.06	4.11	9.21	15.52
Interim dividend (cps)	14	12	10	30	25
Final dividend (cps)	20	14	10	30	35
EPS	43.4	50.6	21.4	75.3	80.8
KMP bonuses (\$)	992,443	1,421,527	560,384	858,650	930,535

During the year ended 30 June 2011 no options (2010: nil) were granted as equity compensation benefits to key management personnel. No options were issued to the non-executive members of the Board of Directors under this scheme.

During the year ended 30 June 2011 1,230,000 options (2010: 650,000) held by key management personnel lapsed or were cancelled.

Remuneration options: Granted and vested during the year

During the year ended 30 June 2011 (2010: nil) no options were granted as equity compensation benefits to certain key management personnel. No options were issued to the non-executive members of the Board of Directors under this scheme.

Options granted/forfeited as part of remuneration 2011

	Value of options granted during the year	Value of options exercised during the year	Value of options forfeited during the year	Total value of options granted exercised and lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	\$	%
M. Burgess	-	-	(402,620)	(402,620)	-
J. Ferragina	-	-	(100,585)	(100,585)	-
R. Sullivan	-	-	(214,420)	(214,420)	-
C. Feldmanis	-	-	(60,351)	(60,351)	-

Options granted/forfeited as part of remuneration 2010

	Value of options granted during the year	Value of options exercised during the year	Value of options forfeited during the year	Total value of options granted exercised and lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	\$	%
D. Cooper	-	-	(1,210,255)	(1,210,255)	-

Shares issued on exercise of remuneration options (Consolidated)

During the current financial year ended 30 June 2011 and the prior financial year ended 30 June 2010 the Company did not issue any shares to Key Management Personnel on exercise of remuneration options.

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. Further details in relation to the issuance and value of options are contained in Note 21 to the financial report.

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

Shares granted as part of a deferred share plan (Consolidated)

2011

During the financial year ended 30 June 2011 the Company issued no deferred shares during the year (2010 nil).

Employment contracts

The Chief Executive Officer, Mr Andrew McGill, is employed under contract. His employment contract commenced on 12 July 2011 with a base salary package of \$450,000 (gross including superannuation) and has no predetermined termination date. Under the terms of the contract, Mr McGill or Treasury Group may terminate the contract giving six months written notice with no termination benefits.

As a long term incentive, Mr McGill was awarded 500,000 performance rights on 12 July 2011 with each right at the time of grant representing one Treasury Group Limited share if it vests. The performance rights have been issued in two equal 50% tranches which have vesting conditions that are based on Treasury Group Limited's total shareholder return (TSR) compared to the ASX 300 index in tranche 1 and for tranche 2 in comparison to selected competitor TSRs. Should Treasury Group Limited's TSR rank below the 50th percentile for each of these tranches, no performance rights will vest, in the 50th percentile 50% will vest, or at above the 75th percentile, 100% will vest and for TSR between 50th and 75th percentile, a pro-rata of rights will vest (2%) for every percentile increase above the 50th percentile).

Mr McGill is also eligible for a short term incentive based on a number of clearly defined Key Performance Indicators. The short term incentive is for up to 100% of base salary and paid in three equal instalments over a three year period. Any bonus payment is at the sole discretion of the Remuneration Committee.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr McGill is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited.

Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. Where employment is terminated with notice, deferred short term incentives will also be paid. However, the Board retains the discretion to determine that some or all unvested performance rights vest or lapse with effect from or after the cessation date.

The Chief Financial Officer, Mr Ferragina, is employed under contract. The current employment contract has no predetermined termination date. Under the terms of the contract Mr Ferragina may terminate the contract by giving three months written notice with no termination benefits.

The Managing Director of Treasury Group Investment Services Limited, Ms Feldmanis is employed under contract. Ms Feldmanis has no predetermined termination date. Under the terms of the contract Ms Feldmanis terminated the contract on 17 August 2011 by giving three months written notice with no termination benefits.

The Head of Distribution, Mr Sullivan is employed under a contract with no predetermined termination date. Under the terms of the contract Mr Sullivan may terminate the contract by giving three months written notice with no termination benefits.

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 Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended
M. Burgess	10	10	-	-	-	-	-	-
D. Cooper	10	9	-	-	-	-	-	-
M. Fitzpatrick	10	10	4	3	4	4	3	3
P. Kennedy	10	10	4	4	4	4	-	-
R. Hayes	10	10	4	4	4	4	3	3

Directors Report

Committee membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Nomination Committee of the Board of Directors.

Members acting on the Committees of the Board during the year were:

Audit	Remuneration	Nomination
P. Kennedy (Chairman)	P. Kennedy (Chairman)	R Hayes (Chairman)
M. Fitzpatrick	M. Fitzpatrick	M. Fitzpatrick
R. Hayes	R. Hayes	

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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditors of Treasury Group Limited. A copy of the declaration is set out on page 16.

Signed in accordance with a resolution of the Directors.



M Fitzpatrick
Chairman
24 August 2011

The Board of Directors
Treasury Group Limited
Level 5, 50 Margaret Street
Sydney NSW 2000

24 August 2011

Dear Board Members

Treasury Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Treasury Group Limited.

As lead audit partner for the audit of the financial statements of Treasury Group Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



A H Young
Partner
Chartered Accountants

Corporate Governance Statement

The ASX Corporate Governance Council has published Corporate Governance Principles and Recommendations (“ASX Principles”) on what it considers to be best practice in conducting the business of a listed company. The ASX Listing Rules require companies to disclose their compliance with the guidelines on an “if not, why not” basis in their annual report to shareholders.

The Guidelines are set out recommended practice in the form of eight principles

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Treasury Group Limited’s (the Company) adherence to each of these principles, together with details of the policies adopted by the Board to ensure compliance is described on a principle by principle basis below.

In accordance with the ASX Principles the Company has posted copies of its governance policies, charters and procedures on its website www.treasurygroup.com

Principle 1: Lay solid foundations for management and oversight

The Board’s role is to govern the Company rather than to manage it. The Board recognises the importance of clearly delineating between its roles and the roles of management, and has adopted a formal statement of matters reserved to itself and a list of delegations to management. It is 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 is accountable to shareholders for the successful operations of the Company.

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.

Role of senior executives

It is the role of senior executives 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 senior executives in carrying out these delegated duties. The Board conducts an annual review of the performance of senior executives against pre-determined qualitative and quantitative key performance indicators. Senior executives undergo an induction programme to gain an understanding of the Company’s financial position, its strategies, operations and risk management policies as well as the rights, duties, responsibilities and roles of the Board and senior executives.

Principle 2: Structure the Board to add value

The Board considers independent decision-making as critical to effective governance, and the Company recognises the importance of independent directors and the external perspective and advice that they can offer. The names of the Directors and their qualifications and experience are included in the profiles in the Directors Report, along with the term of office held by each of the Directors.

The Company does not have a majority of independent directors as recommended by the ASX Principles, but rather a balance of executive and non-executive directors. The Board size is considered appropriate for the size of the Company’s operations. Mr Kennedy and Mr Hayes are Non-Executive Directors, and meet the ASX Principles’ criteria for independence.

Mr Fitzpatrick is a Non-Executive Director and Chairman of the Company, but is a major shareholder of the Company and as such he does not meet the ASX Principles’ criteria for independence. However, his experience and knowledge of the Company make his contribution to the Board such that it is appropriate for him to remain as Chairman of the Board.

Corporate Governance Statement

Principle 2: Structure the Board to add value (Cont)

Mr Cooper is a Non-Executive Director but does not meet the criteria for independence status as he was previously employed by the Company in an executive capacity and there has not been a period of three years between Mr Cooper ceasing his executive role and serving on the Board.

The Company's Managing Director and CEO during the financial year was Mr Mark Burgess. Mr Burgess left the Company on 24 June 2011 and Mr Andrew McGill was appointed as the new CEO of the Company on 12 July 2011. The Company's Chairman and CEO have separate roles. The division of responsibilities between the Chairman and the CEO are set out in the Board charter.

All Directors bring an independent judgment to bear in Board deliberations.

The Board established a Nomination Committee in 2004, 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.

Whilst the ASX Principles suggest a minimum of three members, the Company believes that the present Committee structure is adequate to perform its duties. The members of the Nomination Committee are Mr Hayes (Chairman) and Mr Fitzpatrick.

The Nomination Committee's charter and a description of the process for selection and appointment of new directors are available on the Company's website.

The Board Charter provides for the undertaking of annual Board and Committee 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.

The Nomination Committee oversees management succession plans including the CEO and his direct reports and evaluates the Board, Committee and Executive's performance and makes recommendations for the appointment and removal of Directors.

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.

In order to provide a specific opportunity for performance matters to be discussed with each Director, each year the Board Chairman conducts a formal Director review process. Self and peer evaluations are completed and the Chairman meets with each Director individually to discuss issues including performance and discusses with the Board as a whole the effectiveness of the Board and its Committees. Given the nature of the Company's activities, the Board believes that there is sufficient formality in the process of evaluation of the Board, individual Directors and the Chairman.

New Directors undergo an induction process in which they are given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new directors includes:

- details of the role and responsibilities of a director;
- formal policies on director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- access to a copy of the Board and Committee Charters;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- 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.

Each Director has the right of access to all Company information and to the Company's executives. The Board collectively and each Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Corporate Governance Statement

Principle 3: Promote ethical and responsible decision-making

To ensure that the Company maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, the Board has established a formal Code of Conduct for management and employees and also a Code of Ethical Conduct for the Board. These Codes act as a guide for compliance with legal and other obligations that the Company has to stakeholders which include customers, clients, government authorities, creditors, employees and the community as whole. These Codes govern all the Company's commercial operations and the conduct of the Board, employees, consultants, contactors, advisors and all other people when they represent the Company.

These Codes also outline the responsibility and accountability of individuals for reporting and investigating unethical practices and can be viewed in the Corporate Governance section on the Company's website.

The Company has a Securities Trading Policy under which Directors and employees and their associates may only trade in the Company's securities during specific period trading windows. This policy can be viewed in the Corporate Governance section of the Company's website.

The Board established a Diversity Policy during the year. The Board's measurable objectives for achieving gender diversity are:

- a minimum of one female Director by AGM 2013;
- at least 20% of senior executives to be female; and
- at least 35% of managers to be female.

Currently the proportion of women at different levels within the organisation is as follows:

- Board – 0%
- Senior Executives – 33%
- Managers – 57%
- Employees – 85%

The representation of women across the organisation as a whole is 67%.

Principle 4: Safeguard integrity in financial reporting

The Board established an Audit Committee in 2004. The Audit Committee has a formal charter, which can be found in the Corporate Governance section of the Company's website.

The Audit Committee comprises of three non-executive directors, two of whom are independent, and the Committee is also chaired by an independent director. During the year under review, the members of the Audit Committee were Mr Kennedy (Chairman), Mr Fitzpatrick and Mr Hayes. Whilst Mr Fitzpatrick is not independent, the Company believes that the Committee structure is adequate to perform its duties independently. All members can critically evaluate financial statements and are financially literate. Mr Kennedy, the Chairman, has a commerce background with experience in financial and accounting matters. Details of members' qualifications may be found in the director profiles in the Directors' Report.

The Audit Committee held four meetings for the year and details of attendance of the members of the Audit Committee are contained in the Directors' Report.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners may be found in the Corporate Governance section of the Company's website.

Principle 5: Make timely and balanced disclosure

The Board has established a Continuous Disclosure Policy for ensuring compliance with the ASX Listing Rule disclosure requirements. This policy is located in the Corporate Governance section of the Company's website.

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:

- 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
- 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.

Corporate Governance Statement

Principle 5: Make timely and balanced disclosure (Cont)

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.

To enhance clarity and balance of reporting and to enable investors to make an informed assessment of the Company's performance, financial results are accompanied by a commentary.

Details of payments to executives for the 2010/11 financial year are disclosed in the Directors' Report. Core entitlements of any new executives will be disclosed at the time when they are agreed as well as at the time the actual payment is made.

Principle 6: Respect the rights of shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- 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;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- 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 Shareholder Communications Policy is published on the Company's website in its Corporate Governance section.

Principle 7: Recognise and manage risk

The Board's Charter clearly establishes that it is responsible for ensuring that there is a sound system for overseeing and managing risk. The Audit Committee is also responsible for establishing policies on risk oversight and management. A summary of the Company's Risk Management and internal compliance and control system is available on the Company's website in its Corporate Governance section.

Due to the size and scale of operations of the Company, there is no separate internal audit function or Risk Management Committee.

In accordance with Recommendation 7.3 of the *ASX Principles*, the CEO and Chief Financial Officer have stated in writing to the Board:

"That

- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks."

The Company's Risk and Compliance Services team has designed and implemented a risk management and internal control system to manage Treasury Group's material business risks. Risk is managed on an enterprise wide basis, with risks being reviewed across the whole group of companies, as well as risks arising from key stakeholder relationships and external events.

The Company has an on-line governance, risk and compliance software system which allows material business risks to be linked to mitigating controls so that the performance of Treasury Group's enterprise risk and compliance programs can be monitored continuously.

Management provides monthly board reports on the effectiveness of managing the Company's business risks.

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements. 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.

Corporate Governance Statement

Principle 8: Remunerate fairly and responsibly (Cont.)

Mr Kennedy, Mr Fitzpatrick and Mr Hayes are the current members of the Remuneration Committee. Mr Kennedy, the Chairman of the Remuneration Committee is an Independent Director. The Remuneration Committee held four meetings throughout the year and details of attendance of the members of the Committee are contained in the Directors' Report. The Remuneration Committee has a formal charter which is available on the website of the Company in the Corporate Governance Section.

The Board have endorsed the following Senior Executive Remuneration Policy and the Non-Executive Director Remuneration Policy.

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 executives 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 Officer and Employee Option Plan and Share Purchase Plan; and
- 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 enhance Company performance. The amount of remuneration, including both monetary and non-monetary components, for each of the Key Management Personnel during the year (discounting accumulated entitlements) is detailed in the Directors' Report.

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.

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; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

The Company has a Share Purchase Plan and an Officer and Employee Option Plan that have been approved by shareholders in which executives may participate. The number of shares and options issued under the plans is reasonable in relation to the existing capitalisation of the Company and all payments under the plans are made in accordance with thresholds set in plans approved by shareholders.

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 the option scheme of the Company. Non-Executive Directors are entitled to statutory superannuation.

The payment to Directors is based on a workload criterion. Consequently, all Non-Executive Directors, except the Chairman receive a fixed amount plus a load for Committee Membership and Committee chairing. The Chairman receives an extra loading given the duties and extra time associated with the position.

Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors is approved by shareholders and is currently \$650,000.

Further information in relation to the remuneration of Directors can be found in the Directors' Report.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
REVENUES	5 (a)	4,492,981	5,601,816
Gains on investments	5 (b)	61,944	337,462
Salaries and employee benefits expenses	5 (c)	(5,741,261)	(5,334,345)
Fund management and administration fees		-	(501,048)
Other expenses	5 (c)	(2,938,871)	(2,656,904)
Share of net profits of equity accounted investments	13 (c) (iv)	14,014,687	14,044,639
PROFIT BEFORE INCOME TAX		9,889,480	11,491,620
Income tax benefit	7 (c)	115,624	184,511
PROFIT FOR THE YEAR		10,005,104	11,676,131
ATTRIBUTABLE TO:			
MEMBERS OF THE PARENT	18 (e)	10,005,104	11,676,131
Earnings per share (cents per share)			
• basic for profit for the year attributable to ordinary equity holders of the parent	23	43.4	50.6
• diluted for profit for the year attributable to ordinary equity holders of the parent	23	43.4	50.6
Franked dividends paid or proposed per share (cents per share) for the financial year	8	34	26

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED

	2011	2010
	\$	\$
PROFIT FOR THE YEAR	10,005,104	11,676,131
Other Comprehensive Income		
Reversal of previous revaluation of available-for-sale investments sold during the year	(420,298)	-
Gain on available-for-sale investments previously consolidated	-	24,995
Net unrealised (losses)/gains on available-for-sale investments taken to equity	(2,545)	72,386
Income tax relating to components of other comprehensive income	764	(21,715)
Share of after-tax gain on available-for-sale investments of jointly controlled entities	11,090	172,636
Other comprehensive (loss)/ income for the year (net of tax)	(410,989)	248,302
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,594,115	11,924,433
ATTRIBUTABLE TO:		
MEMBERS OF THE PARENT	9,594,115	11,924,433

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2011	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9 (a)	10,088,968	10,949,185
Trade and other receivables	10	6,590,789	9,218,847
Other assets		237,729	203,440
TOTAL CURRENT ASSETS		16,917,486	20,371,472
NON-CURRENT ASSETS			
Trade and other receivables	10	233,638	233,638
Available-for-sale investments	11	8,925,097	5,057,695
Loans and other receivables	12	5,086,720	6,704,394
Deferred tax assets	7 (d)	2,861,454	2,782,390
Investments accounted for using the equity method	13	29,269,020	27,833,141
Plant and equipment	14	111,620	119,923
Intangibles	15	45,087	67,758
TOTAL NON-CURRENT ASSETS		46,532,636	42,798,939
TOTAL ASSETS		63,450,122	63,170,411
CURRENT LIABILITIES			
Trade and other payables	16	3,205,017	6,128,970
Provisions	17	295,889	334,768
TOTAL CURRENT LIABILITIES		3,500,906	6,463,738
NON-CURRENT LIABILITIES			
Provisions	17	132,433	18,350
Deferred tax liabilities	7 (d)	631,493	561,061
TOTAL NON-CURRENT LIABILITIES		763,926	579,411
TOTAL LIABILITIES		4,264,832	7,043,149
NET ASSETS		59,185,290	56,127,262
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	18 (a)	29,594,265	29,594,265
Reserves	18 (f)	2,710,040	3,197,304
Retained profits	18 (e)	26,880,985	23,335,693
TOTAL EQUITY		59,185,290	56,127,262

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary shares	Share options reserve	CONSOLIDATED		Total
			Net unrealised gains reserve	Retained earnings	
	\$	\$	\$	\$	\$
AS AT 1 JULY 2010	29,594,265	2,798,973	398,331	23,335,693	56,127,262
Total comprehensive income for the year	-	-	(410,989)	10,005,104	9,594,115
Share-based payments	-	(76,275)	-	-	(76,275)
Dividends paid	-	-	-	(6,459,812)	(6,459,812)
AT 30 JUNE 2011	29,594,265	2,722,698	(12,658)	26,880,985	59,185,290

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED					
	Ordinary shares \$	Share options reserve \$	Net unrealised gains reserve \$	Retained earnings \$	Non-controlling interests \$	Total \$
AS AT 1 JULY 2009	29,594,265	3,290,780	150,029	16,868,015	192,899	50,095,988
Total comprehensive income for the year	-	-	248,302	11,676,131	-	11,924,433
Share-based payments	-	(491,807)	-	-	-	(491,807)
Deconsolidation of entities no longer controlled	-	-	-	(132,886)	(192,899)	(325,785)
Dividends paid	-	-	-	(5,075,567)	-	(5,075,567)
AT 30 JUNE 2010	29,594,265	2,798,973	398,331	23,335,693	-	56,127,262

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		5,764,689	2,332,430
Payments to suppliers and employees (inclusive of GST)		(11,353,612)	(6,358,430)
Dividends and distributions received		12,573,964	9,923,207
Interest received		817,905	869,715
NET CASH FLOWS FROM OPERATING ACTIVITIES	9(b)	7,802,946	6,766,922
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(30,178)	(24,371)
Purchase of intangible assets		(4,978)	(74,959)
Purchase of investment accounted for under the equity method		-	(1,106,306)
Purchase of available-for-sale investments		(4,147,311)	(2,659,688)
Proceeds from disposal of available-for-sale investments		395,439	2,444,179
Proceeds from disposal of subsidiaries		-	1,815,686
Advance to jointly controlled entities		(100,000)	(1,702,627)
Advance to associates		-	(746,177)
Repayment of loans by jointly controlled entities		1,683,677	881,991
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(2,203,351)	(1,172,272)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid on ordinary shares		(6,459,812)	(5,075,567)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(6,459,812)	(5,075,567)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(860,217)	519,083
Cash and cash equivalents at beginning of year		10,949,185	10,515,123
Cash held by deconsolidated entities		-	(85,021)
CASH AND CASH EQUIVALENTS AT END OF YEAR	9(a)	10,088,968	10,949,185

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

Notes to the Financial Statements

For the Year ended 30 June 2011

1. CORPORATE INFORMATION

The financial report of Treasury Group Limited (the 'Company' or the 'Group') for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 24 August 2011.

Treasury Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The nature of operations and principal activities of the Group are disclosed in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets held at fair value through profit and loss, and available-for-sale investments, which have been measured at fair value, and loans and receivables, which are measured at amortised cost.

The *Corporations Amendment (Corporate Reporting Reform) Bill 2010* which came into effect on 25 June 2010 provides that parent entity columns are no longer required in consolidated financial statements. Instead, the notes to the financial statements are required to disclose limited financial information about the parent. The Group has adopted this amendment for the year ended 30 June 2011 and the 30 June 2010 comparative.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but have had no effect on the amounts reported are set out below:

<i>Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)</i>	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
<i>Amendments to AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'</i>	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
<i>Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)</i>	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
<i>Amendments to AASB 107 'Statement of Cash Flows'</i>	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 5 and AASB 107 described earlier this section, the application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Sharebased Payment Transactions'	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	<p>The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of noncontrolling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of noncontrolling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.</p> <p>In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 'Share-based Payment' at the acquisition date ('market-based measure').</p>
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Group has not entered into transactions of this nature.

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

Standards and Interpretations in issue not yet adopted

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 124 'Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	1 July 2011	30 June 2012
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Service fees

Fees charged for providing administrative services to related companies are recognised as revenue as the services are provided.

Management fees

Management fees on asset management activities are accrued in accordance with terms and conditions of the underlying management agreements.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends and distributions

Revenue is recognised when the Group's right to receive the payment is established.

(e) Basis of consolidation

The consolidated financial statements comprise Treasury Group Limited and its subsidiaries as at 30 June each year (the Group). Interests in jointly controlled entities and associates are equity accounted and are not part of the consolidated Group (see notes (i) and (j) below).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

(f) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and other receivables

Trade receivables, which are generally on 30 day terms, are recognised at fair value and subsequently valued at amortised cost using the effective interest method, less any allowance for uncollectible amounts. Cash flows relating to short term receivables are not discounted as any discount would be immaterial.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The Group did not have any impaired trade receivables (2010: Nil).

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Impairment of available-for-sale financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the Income Statement, is transferred from equity to the Income Statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. The Group would consider that there was objective evidence of impairment if there was a significant or prolonged decline in market value to below cost.

(i) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture.

Under the Accounting Standards, significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of those policies.

The Group generally deems they have significant influence if they have over 20% of the voting rights or potential voting rights or Board representation.

Under the equity method, the investments in the associates are carried in the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates.

Goodwill acquired in a business combination represents payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. It is initially measured as cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill relating to the associates is included in the carrying amount of the investments and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates in the consolidated financial statements reduce the carrying amount of the investment.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(j) Investments in jointly controlled entities

Interests in jointly controlled entities in which the Group has joint control are accounted for under the equity method in the consolidated financial statements similar to investments in associates as described in Note 2(i).

(k) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Major depreciation methods and periods are:

	<u>2011 & 2010</u>	
Furniture & fittings:	5 – 10 years	diminishing value
Office equipment:	3 – 10 years	diminishing value
Leasehold improvements:	1 – 6 years	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Intangibles

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

(m) Investments and other financial assets

Financial assets in the scope of AASB 139: *Financial Instruments: Recognition and Measurement*, are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases or sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit and loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Derivatives are also classified as held for trading unless they are designed as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the Statement of Financial Position.

The fair value of financial assets at fair value through profit or loss is determined by reference to quoted market bid prices at the close of business on that balance date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loan and receivables are derecognised or impaired, as well as through the amortisation process.

For loans and receivables carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three other categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

Notes to the Financial Statements

For the Year ended 30 June 2011

(n) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance 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:

- when the deferred income tax liability relating to the deductible temporary difference 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 or taxable profit or loss

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference 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 or taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, jointly controlled entities or associates, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance 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 asset to be utilised.

Unrecognised deferred income tax assets are assessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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. Treasury Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated 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. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the 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.

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Other taxes

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

- when 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, which 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.

(p) Impairment of non-financial assets other than goodwill

Amortising intangible assets and property, plant and equipment are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(s) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments, including on-costs, to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating leases

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(v) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than 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.

(w) Share-based payments

Equity-settled transactions:

The Group provides benefits to employees (including Senior Executives and 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).

During the year, there were three plans in place to provide these benefits:

- (i) The Officer and Executive Option Plan, which provides benefits to Directors, Senior Executives and employees.
- (ii) The Officer and Executive Long Term Incentive Share Plan, which provides benefits to the Senior Executives of Treasury Group Limited and Treasury Group Investment Services Limited.
- (iii) The Employee Share Plan, which provides the opportunity to the employees (including Directors) of the Group to purchase shares in the parent company at a discount.

The cost of the equity-settled employee share option plan 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 Limited (market conditions), if applicable.

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 (the vesting period).

Notes to the Financial Statements

For the Year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(w) Share-based payments (Cont)

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 Group's best estimate of the number of equity instruments that will ultimately vest. 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. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No cumulative expense is recognised for awards that do not ultimately vest due to the non-fulfilment of a non-market condition.

If 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 modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If 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.

(x) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Treasury Group Limited and its subsidiaries are Australian dollars (\$).

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying an average spot exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date the fair value was determined.

(y) Comparatives

Where necessary, comparative information has been immaterially reclassified and repositioned for consistency with current year disclosures.

Notes to the Financial Statements

For the Year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash, short-term deposits, available-for-sale investments, investments at fair value through profit and loss, receivables and payables.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 2 to the financial statements.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short term investments.

At balance date the Group had the following mix of financial assets exposed to Australian variable interest rate risk:

	CONSOLIDATED	
	2011	2010
	\$	\$
Financial Assets		
Cash at bank and on hand	10,088,968	10,949,185
	10,088,968	10,949,185

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

If interest rates had moved during the year as illustrated in the table below, with all other variables held constant, post tax profit and reserves would have been affected as follows:

	Post tax Profit Higher / (Lower)	
	2011	2010
	\$	\$
Consolidated		
+0.75% [2010:0.75%]/ (75 basis points), [2010:75 basis points]	40,238	58,175
-0.75% [2010:0.75%]/ (75 basis points), [2010:75 basis points]	(40,238)	(58,175)

The movements in profit are due to higher/lower interest income from cash and short term deposit balances.

The Group's profit and reserves do not have any significant sensitivity to fixed interest rate risk as the loans made by Treasury Group Limited to its related parties, which are the only assets or liabilities exposed to fixed interest rate risk, are carried at amortised cost.

Notes to the Financial Statements

For the Year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets, investments at fair value through profit and loss, and loans receivable from related entities. The Group's exposure to credit risk arises from potential default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Receivables balances and loans made to related entities are monitored on an ongoing basis at Board level and remain within approved levels, with the result that the Group's exposure to bad debts is not significant.

It is a core part of Treasury Group Limited's policy to extend loans to new companies in the Group to provide them financing until they reach profitability. As with all new start-ups there is a risk that a new venture will fail, in which case Treasury Group Limited would have to write the loan off. All loans made to new ventures are monitored on an ongoing basis at Board level to minimise the risk of a write off occurring. The maximum exposure to credit risk is the value of the loans.

Liquidity risk

The Group does not have any external financing liabilities and has significant cash balances. As such management is of the opinion that it does not face significant liquidity risks. Management prepares cash flow forecasts on a monthly basis to ensure that it has sufficient liquid assets to meet its liabilities.

The Group's objective is to maintain financial flexibility and only invests surplus funds in cash and short-term deposits.

Both in the current and proceeding year all of the Group's financial liabilities are due within 6 months or less.

Price risk

Equity security price risk arises from investments in unlisted managed trusts, which mainly invest their funds in equities listed on the ASX, except TG TAAM Asia Ex Japan 1 and Aubrey Conviction Fund which invest their fund on various global stock markets. The investments are made by members of the Group for the purpose of seeding new products. Equity securities price risk also arises from investments in equity markets made by any funds that are consolidated.

For Australian investments, a simple analysis has been conducted using past economic data to provide some perspective when considering the determination of a reasonably possible change. In the preparation of this analysis the following assumptions and sources of information have been used:

- Data has been sourced from Bloomberg
- Ten years of data (last traded price)
- No averages were taken, weekly log-returns were calculated across 10 years of daily data and determined the volatility of weekly returns
- Standard deviation has been calculated on weekly returns
- Examination of percentage changes in risk variables based on one standard deviation both up and down
- Numbers presented are based on historical data and may not be indicative of future movements of market variables
- Numbers are presented in annual effective terms, they have been scaled to represent an annual shift

In relation to international investments a 10 year historical annualised return for the MSCI Global Index has been used sourced from MSCI Barra.

Notes to the Financial Statements

For the Year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

As at year end, the Group had the following exposure to equity security price risks:

	CONSOLIDATED	
	2011	2010
	\$	\$
Available-for-sale investments		
- Shares in listed corporation	2,092,561	1,650,326
- Units in managed investment trusts	5,994,892	2,420,820
- Unlisted shares in other corporations	1,100	800
	8,088,553	4,071,946

As at year end, if the price for the Group's investments had moved, as illustrated in the table below, with all other variables held constant, post tax profit and reserves would have been affected as follows:

	Reserves	
	Higher / (Lower)	
	2011	2010
	\$	\$
Consolidated		
ASX 200 +13%	190,523	150,252
ASX 200 -11%	(161,212)	(127,137)
MSCI World index +2.59%	108,687	43,889
MSCI World index -2.59%	(108,687)	(43,889)

For the investments that are classified as available-for-sale, movements in market value are captured in an Unrealised Gains Reserve and do not impact reported profit unless they are deemed to be impaired at reporting date.

As at 30 June 2011, the Group has no investments at fair value through profit or loss and only available for sale investments with any potential gains or losses being taken to equity.

Notes to the Financial Statements

For the Year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Foreign Currency Risk

Investments in foreign currency funds are individually approved by the Board. The Group has not hedged its foreign currency exposure.

A simple analysis has been conducted using past economic data to provide some perspective when considering the determination of a reasonably possible change. In the preparation of this analysis the following assumptions and sources of information have been used:

- Data has been sourced from Bloomberg
- Ten years of data (last traded price)
- No averages were taken, weekly log-returns were calculated across 10 years of daily data and determined the volatility of weekly returns
- Standard deviation has been calculated on weekly returns
- Examination of percentage changes in risk variables based on one standard deviation both up and down
- Numbers presented are based on historical data and may not be indicative of future movements of market variables
- Numbers are presented in annual effective terms, they have been scaled to represent an annual shift

The Group does not have any significant transactional currency exposures.

At year end, the Group had the following exposure to foreign currency:

	CONSOLIDATED	
	2011	2010
	\$	\$
Available-for-sale investments – US Dollar	1,849,191	2,059,644
Available-for-sale investments – British Pound	836,544	1,071,417
Other assets - Euro	2,706	2,899
	2,688,441	3,133,960

For the investments that are classified as available-for-sale, movements in market value are captured in an Unrealised Gains Reserve and do not impact reported profit unless they are deemed to be impaired at reporting date.

As at year end, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Equity	
	Higher / (Lower)	
	2011	2010
	\$	\$
Consolidated		
AUD/US \$ + 12%	155,332	173,010
AUD/US\$ - 10%	(129,443)	(144,175)
AUD/GBP +11%	64,414	82,499
AUD/GBP -10%	(58,558)	(74,999)

Notes to the Financial Statements

For the Year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as market prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between any levels.

	30 June 2011			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available-for-sale-investments</i>				
Investment in Premium Investors Limited*	2,092,561	-	-	2,092,561
TG TAAM Asia Ex Japan 1**	-	1,849,191	-	1,849,191
Investment in Global Industrial Share Fund- Unhedged**	-	1,000,772	-	1,000,772
Investment in Aubrey Conviction Fund**	-	2,148,229	-	2,148,229
Investment in Ascot Cayman Fund**	-	996,700	-	996,700
Aubrey Capital Management convertible preference shares***	-	-	836,544	836,544
Others	-	1,100	-	1,100
Total	2,092,561	5,995,992	836,544	8,925,097

	30 June 2010			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available-for-sale-investments</i>				
Investment in Premium Investors Limited	1,650,326	-	-	1,650,326
TG Rare Infrastructure Fund**	-	85,668	-	85,668
TG Treasury Asia Asset Management Fund**	-	2,059,644	-	2,059,644
RARE Series Emerging Markets Fund**	-	161,745	-	161,745
RARE Series Value Fund**	-	113,763	-	113,763
Aubrey Capital Management convertible preference shares***	-	-	985,749	985,749
Others	-	800	-	800
Total	1,650,326	2,421,620	985,749	5,057,695

*Listed available-for-sale investment

The fair value of these investments was derived from the quoted price available from ASX as of 30 June 2011.

**Unlisted available-for-sale investments

The fair value of the unlisted available for sale investments is based on the current price of the unit trusts which is determined by the fair value of the underlying investments.

*** Convertible preference shares

Notes to the Financial Statements

For the Year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Significant assumptions in determining fair value of financial assets and liabilities

The fair value of these convertible preference shares is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, a revenue growth derived from FUM growth factors ranging from 0-50% has been used with appropriate probabilities assigned to each. In addition expense growth of 5% has been used and a risk adjusted discount factor of 18% has been applied. If these revenue and expense inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by \$221,222.

Reconciliation of Level 3 fair value measurements of financial assets

	30 June 2011			
	<i>Available for sale</i>	<i>Fair value through profit and loss</i>		
	Convertible preference shares	Convertible note	Unlisted shares	
<i>Opening balance</i>	985,749	-	-	985,749
Acquisition of convertible preference shares	-	-	-	-
Revaluation of convertible preference shares	(149,205)	-	-	(149,205)
Total	836,544	-	-	836,544

	30 June 2010			
	<i>Available for sale</i>	<i>Fair value through profit and loss</i>		
	Convertible preference shares	Convertible note	Unlisted shares	
<i>Opening balance</i>	-	128,640	13,350	141,990
Acquisition of convertible preference shares	1,000,000	-	-	1,000,000
Fair value loss on revaluation of investments at fair value through profit and loss	-	(128,640)	-	(128,640)
Deconsolidation of entities no longer consolidated	-	-	(13,350)	(13,350)
Revaluation of convertible preference shares	(14,251)	-	-	(14,251)
Total	985,749	-	-	985,749

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Taxation

The Group's accounting policy requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Notes to the Financial Statements

For the Year ended 30 June 2011

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Cont)

(i) Significant accounting judgments (Cont)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised.

In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Classification of and valuation of investments

The Group classified investments in unit trusts as 'available-for-sale' investments and movements in fair value are recognised in unrealised reserves except the impairments are recognised in profit and loss. The fair value of the investments has been determined by reference to the published unit price.

The fair value of convertible securities has been determined based on Directors' valuation.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include performance, technological, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial model with the assumptions detailed in Note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account

Valuation and Impairment of Non Current Loans and Receivables

The Group carries loans and receivables at amortised cost with impairments for these loans and receivables recognised in profit and loss. Determining whether non current loans and receivables are impaired requires an estimation of the future cash flows expected from the loans and applying a suitable discount rate in order to calculate present value. The carrying amount of non current loans and receivables at the balance date was \$5,086,720 (2010: \$6,704,394). There was no impairment loss during the year (2010: a reversal of the impairment charge in 2009 for \$497,123).

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
5. REVENUE AND EXPENSES		
(a) Revenues from continuing operations		
Fee income		
Fund management fees	327,815	937,669
Service fees		
- jointly controlled entities	2,768,743	2,970,708
- other	353,156	227,638
Total fee income	3,449,714	4,136,015
Dividends and distributions		
Dividends from other corporations	180,775	40,951
Unit trust distribution	15,262	154,695
Total dividends and distributions	196,037	195,646
Interest		
Related parties		
- jointly controlled entities	418,755	751,443
Other persons/corporations	428,475	380,861
Total interest	847,230	1,132,304
Other Income		
Other income	-	137,851
Total revenues	4,492,981	5,601,816
(b) Gains / (losses) on investments		
Fair value (losses) on revaluation of other investments at fair value through profit and loss	-	(128,640)
Net gains on disposal of available-for-sale investments	210,931	173,957
Net gains on disposal of subsidiaries	-	349,128
Foreign exchange (loss) on investments	(148,987)	(56,983)
Total gains / (losses) on investments	61,944	337,462

Notes to the Financial Statements

For the Year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
5. REVENUE AND EXPENSES (Cont.)			
(c) Expenses			
Salaries and employee benefits			
Salaries and employee benefits		5,753,070	5,729,454
Employee share plan expenses		64,466	96,698
Share-based payment (reversal)/ expense arising from equity-settled share-based payment transactions		(76,275)	(491,807)
		5,741,261	5,334,345
Depreciation and amortisation			
Software	15(a)	27,649	25,589
Furniture & fittings	14(a)	7,966	8,413
Office equipment	14(a)	26,223	26,802
Leasehold improvements	14(a)	4,293	7,154
Total depreciation and amortisation of non-current assets		66,131	67,958
Other expenses			
Accounting & audit fees		226,516	161,811
Operating lease rental – minimum lease payments		360,795	363,260
Marketing & communication expenses		198,610	150,993
Travel & accommodation costs		341,225	334,323
Payroll tax		257,079	242,439
Legal & compliance fees		204,946	333,833
Consulting fee & IT Charges		447,864	324,829
Insurance charges		214,096	235,187
Directors' fees (non-executives)		358,271	319,896
Share registry & ASX fees		92,670	102,398
Subscriptions and training expenses		62,771	124,499
(Reversal of impairment)/Impairment on loan to associates	12	-	(497,123)
Other expenses		107,897	392,601
		2,872,740	2,588,946
Total other expenses		2,938,871	2,656,904

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	
6. DISPOSAL OF SUBSIDIARIES		
On 12 March 2010, the Group disposed of its interests in Cannae Australian Share Fund and Cannae High Conviction Fund. The consideration received and the related gain or loss on the disposal of these subsidiaries is as follows:		
(a) Consideration received		
Consideration received in cash and cash equivalents	-	1,815,686
(b) Analysis of assets and liabilities over which control was lost		
<i>Current assets</i>		
Cash and cash equivalents	-	1,847,066
Other current assets	-	13,384
Net assets disposed of	-	1,860,450
(c) Gain/ (loss) on disposal of subsidiary		
Consideration received	-	1,815,686
Net assets disposed of	-	1,860,450
	-	(44,764)
Cumulative gain/(loss) on available for sale financial assets reclassified from equity on loss of control of subsidiary	-	393,892
Gain on disposal	-	349,128

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
7. INCOME TAX		
(a) Income tax benefit		
The major components of income tax benefit are:		
Income Statement		
<i>Current income tax</i>		
Current income tax benefit	1,139,464	1,086,197
Adjustments in respect of current income tax charge of previous years	(50,486)	105,392
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	109,675	(252,121)
Tax adjustments as a result of tax benefits arising from tax losses not recognised	(1,083,029)	(754,957)
Income tax benefit reported in the Income Statement	<u>115,624</u>	<u>184,511</u>
(b) Amounts charged directly to other comprehensive income		
<i>Deferred income tax related to income charged or credited directly to other comprehensive income</i>		
Unrealised loss/(gain) on available-for-sale investments	764	(21,715)
Income tax benefit (expense) reported in other comprehensive income	<u>764</u>	<u>(21,715)</u>
(c) Reconciliation between aggregate tax benefit recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax benefit and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax:	9,889,480	11,491,620
At the Group's statutory income tax rate of 30% (2010: 30%)	(2,966,844)	(3,447,486)
Share-based payments	22,883	147,542
Share in net profit of jointly controlled entities	4,204,406	4,213,392
Expenditure not allowable for income tax purposes	(11,306)	(14,427)
Adjustments in respect of current income tax charge of previous years	(50,486)	105,392
Tax adjustments as a result of tax benefits arising from tax losses not recognised	(1,083,029)	(754,957)
Others	-	(64,945)
Aggregate income tax benefit	<u>115,624</u>	<u>184,511</u>

Notes to the Financial Statements

For the Year ended 30 June 2011

7. INCOME TAX (Cont.)

(d) Recognised deferred tax assets and liabilities

	Statement of Financial Position		Income Statement	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred income tax at 30 June relates to the following:				
<i>Consolidated</i>				
<u>Deferred tax assets</u>				
Tax losses	2,511,508	2,511,508	-	-
Revaluation of available-for-sale investments at fair value charged to equity	83,685	111,223	-	-
Revaluation of available-for-sale investments at fair value charged to profit and loss	-	-	-	(136,253)
Impairment on loan to associates	-	-	-	(149,137)
Accruals and provisions	266,261	159,659	106,602	(2,313)
	2,861,454	2,782,390		
<u>Deferred tax liabilities</u>				
Revaluation of convertible notes to fair value	(551,230)	(551,230)	-	-
Revaluation of available-for-sale investments at fair value charged to equity	(73,505)	-	-	-
Receivables	(6,758)	(9,831)	3,073	11,990
Revaluation of CCP Convertible note	-	-	-	23,592
	(631,493)	(561,061)	109,675	(252,121)

Tax losses arising from results of operations have only been recognised up to 31 December 2009, however, deferred tax assets and liabilities arising from temporary differences were still recognised in full during the year. The amount of unrecognised tax benefits relating to tax losses at year end is \$1,837,986 (2010:\$754,957).

(e) 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. Treasury Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated 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. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the 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.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group allocate current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations are made at the end of each half year.

The allocation of taxes is recognised as an increase / decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Treasury Group Limited. The Group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

Notes to the Financial Statements

For the Year ended 30 June 2011

	TREASURY GROUP LIMITED	
	2011	2010
	\$	\$
8. DIVIDENDS PAID AND PROPOSED		
(a) Dividends proposed and not recognised as a liability*		
Final fully franked dividend 20 cents per share (2010: 14 cents per share)	4,614,151	3,229,906
(b) Dividends paid during the year		
<i>Current year interim</i>		
Fully franked dividend (14 cents per share) (2010: 12 cents per share)	3,229,906	2,768,491
<i>Previous year final</i>		
Fully franked dividend (14 cents per share) (2010: 10 cents per share)	3,229,906	2,307,076
Total paid during the year (28 cents per share) (2010: 22 cents per share)	6,459,812	5,075,567
* Calculation based on the ordinary shares on issue as at 31 July 2011		
(c) 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% (2010: 30%)	8,653,971	8,592,577
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	1,049,338	1,445,639
	9,683,309	10,038,216
The amounts of franking credits available for future reporting periods:		
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(1,977,493)	(1,384,245)
Franking credits carried forward after payment of final dividend	7,705,816	8,653,971
The tax rate at which paid dividends have been franked is 30% (2010: 30%).		
Dividends proposed will be franked at the rate of 30% (2010: 30%).		

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
9. CASH AND CASH EQUIVALENTS		
(a) Reconciliation of cash and cash equivalents		
Cash balance comprises:		
– cash at bank and on hand	10,088,968	10,949,185
Closing cash balance	10,088,968	10,949,185
(b) Reconciliation		
Profit for the year	10,005,104	11,676,131
<i>Adjustments for</i>		
Depreciation and amortisation of non-current assets	66,131	67,958
Non-cash distributions and dividends	(196,037)	(86,438)
Share of jointly controlled entities' net profits	(14,014,687)	(14,044,639)
Dividend and distributions received from jointly controlled entities	12,417,263	11,803,728
Non-cash interest	(86,451)	(296,102)
Share-based payments	(76,275)	(491,807)
Foreign exchange (gains)/loss	162,441	63,465
(Gain)/ Losses on disposal of available-for-sale investments	(210,931)	(173,957)
(Gain)/ Losses on disposal of subsidiaries	-	(349,128)
Fair value (gains) / losses on revaluation of other investments at fair value through profit and loss	-	128,640
(Reversal)/ Impairment of loan to associates	-	(497,123)
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	2,628,058	(4,032,620)
(Increase)/Decrease in other assets	(34,289)	167,577
(Increase) in deferred tax assets	(79,064)	(105,861)
(Decrease)/Increase in trade and other payables	(2,923,953)	2,956,866
(Decrease) Increase in current provisions	(38,879)	60,577
Increase/(Decrease) in non-current provisions	114,083	(33,804)
Increase/(Decrease) in deferred tax liability	70,432	(46,541)
Net cash flow from operating activities	7,802,946	6,766,922

At reporting date, Treasury Group Limited did not have any financing facilities available.

Notes to the Financial Statements

For the Year ended 30 June 2011

	Note	CONSOLIDATED	
		2011	2010
		\$	\$
10. TRADE AND OTHER RECEIVABLES			
Current			
Trade receivables		2,115,250	4,215,959
Sundry receivables		22,528	37,340
Other receivables		534,581	140,472
Related party receivables			
- Jointly controlled entities - Dividend	26	2,448,456	3,373,157
- Distribution	26	768,000	-
- Other		653,344	1,149,188
- Other related parties		48,630	302,731
		6,590,789	9,218,847

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No allowance for impairment losses has been made.

	Total	0-30 days	31-60 days PDNI*	61-90 days PDNI*	+91 days PDNI*
	\$	\$	\$	\$	\$
2011	6,590,789	6,310,375	5,890	13,015	261,509
2010	9,218,847	8,637,437	116,791	426	464,193

* Past due not impaired ('PDNI')

Receivables past due but not impaired is \$280,414 (2010:\$581,410). All overdue amounts as at 30 June 2010 have not been received in full. Payment terms on these amounts have been re-negotiated. Management is satisfied that payment will be received in full.

(b) Related party receivables

For terms and conditions of related party receivables refer to note 26.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security with the exception of the receivable from disposal of subsidiary, which was secured by the shares of the subsidiary disposed. It is not the Group's policy to transfer (on-sell) receivables to special purpose entities.

Trade receivables represent the Group's outstanding invoices for management fees. As the fees are receivable from large investment and superannuation funds, management regards the credit risk as very low.

Receivables from other related parties are due from Premium Investors Ltd, a listed investment company, with a high credit rating. Management regards the credit risk as very low.

Notes to the Financial Statements

For the Year ended 30 June 2011

10. TRADE AND OTHER RECEIVABLES (Cont.)

	CONSOLIDATED	
	2011	2010
	\$	\$
Non-current		
Security deposits	233,638	233,638
	233,638	233,638

The amount receivable is in Australian Dollars, non-interest bearing and is not considered past due or impaired.

11. AVAILABLE-FOR-SALE INVESTMENTS

Non-current		
- Investment in Premium Investors Ltd listed shares	2,092,561	1,650,326
- TG RARE Infrastructure Fund	-	85,668
- TG Treasury Asia Asset Management Fund	-	2,059,644
- TG TAAM Asia Ex Japan I	1,849,191	-
- RARE Series Emerging Markets Fund	-	161,745
- RARE Series Value Fund	-	113,763
- Investment in Global Industrial Share Fund – Unhedged*	1,000,772	-
- Investment in Aubrey Conviction Fund*	2,148,229	-
- Investment in Ascot Cayman Fund*	996,700	-
- Aubrey Capital Management convertible preference shares**	836,544	985,749
- Unlisted shares in other corporations	1,100	800
	8,925,097	5,057,695

* These investments represent seed capital to assist in the growth and marketing of these products.

** Whilst classified as an available-for-sale to satisfy the definition under the accounting standards, the Board views this as a long term holding investment. The acquisition price of these securities was \$1,000,000. The change in fair value reflects movements in fair value between reporting periods, including foreign exchange rates.

Units in funds are readily saleable with no fixed terms.

The fair value of the unlisted available for sale investments is based on the current unit price of the investments which is determined by the value of the underlying investments of the unit trust.

Notes to the Financial Statements

For the Year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
12. LOANS AND OTHER RECEIVABLES (NON-CURRENT)			
Loans receivables due from:			
Jointly Controlled Entities	26	5,086,720	6,704,394
		5,086,720	6,704,394

All amounts are receivable in Australian Dollars and loans to Jointly Controlled entities and associates are not considered past due or impaired. The following table is a reconciliation of the movement of impairment charges on loans to jointly controlled entities:

Impairment Losses on loans to Jointly Controlled Entities

Impairment losses, beginning balance		-	497,123
Impairment charge/(reversal)	5(c)	-	(497,123)
Impairment losses, closing balance		-	-

(a) Loans

The majority of non-current loans to jointly controlled entities are subordinated to all other creditors as a condition of their Australian Financial Services Licence as agreed with the Australian Securities and Investments Commission (ASIC). Interest rates on the loans are fixed at between 6.5% and 7.5%.

(b) Fair values

The fair values and carrying values of non-current receivables of the Group is as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Loans to jointly controlled entities	5,086,720	5,086,720	6,704,394	6,704,394
	5,086,720	5,086,720	6,704,394	6,704,394

The interest rate used to discount cash flow was the contracted loan rate.

Notes to the Financial Statements

For the Year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			
Investments in jointly controlled entities	13(a)	29,269,020	27,833,141
		29,269,020	27,833,141

(a) Interests in jointly controlled entities

Name	Balance date	Ownership interest held by consolidated entity	
		2011	2010
		%	%
Investors Mutual Ltd – ordinary shares	30 June	47.50	47.50
Orion Asset Management (Aust) Pty Ltd - ordinary shares	30 June	41.99	41.99
Global Value Investors Ltd – ordinary shares*	30 June	25.00	25.00
Treasury Asia Asset Management Ltd – ordinary shares	30 June	40.00	40.00
RARE Infrastructure Ltd – ordinary shares	30 June	40.00	40.00
RARE IP Trust – units	30 June	40.00	40.00
IML Investment Partners Limited - ordinary shares	30 June	40.00	40.00
Celeste Funds Management Ltd - ordinary shares	30 June	39.17	39.17
AR Capital Management Pty Ltd - ordinary shares	30 June	30.00	30.00
Aubrey Capital Management Ltd	30 June	-	-

* This direct ownership in Global Value Investors Ltd does not include the indirect 22.56% (2010:23.75%) interest that Treasury Group Limited holds through its interest in IML.

(i) Principal activity

- (a) Investors Mutual Limited provides a funds management capability to both institutional and retail investors.
- (b) Orion Asset Management (Aust) Pty Ltd is the parent company of Orion Asset Management Ltd, a wholesale fund management company in Australia.
- (c) Global Value Investors Ltd invests in global industrial companies that exhibit recurring earnings, and a strong, stable and competitive business.
- (d) Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific Region.
- (e) RARE Group (RARE Infrastructure Ltd, RARE IP Trust, RARE North America & RARE Infrastructure Sovereign Enterprise) is a funds management business specialising in listed global infrastructure assets.
- (f) IML Investment Partners Limited provides investment sub advisory services to Investors Mutual Limited.
- (g) Celeste Funds Management Limited is an Australian equity manager with a smaller companies focus.
- (h) AR Capital Management Pty Ltd is a company that specialises in absolute return funds
- (i) Aubrey Capital Management Ltd is a global growth equity thematic manager based in Edinburgh Scotland. Treasury Group Limited acquired convertible preference shares which could entitle TRG to take 20% of its capital.

These entities, except Aubrey Capital Management Ltd, are incorporated and domiciled in Australia.

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
(c) Additional disclosures		
<i>(i) Carrying amount of investments accounted for using the equity method</i>	\$	\$
Balance at the beginning of the year	27,833,141	21,029,817
- Investments in Celeste Funds Management Ltd & AR Capital Management Pty Limited	-	1,106,306
- conversion of loan to investment in IML Investment Partners Ltd	-	3,283,471
- trust distribution received from jointly controlled entities for prior years	(4,109,675)	(337,735)
- share of jointly controlled entities' net profits for the financial year	14,014,687	14,044,639
- share of unrealised (loss)/gains reserve of jointly controlled entities	(161,545)	172,636
- Dividends received from jointly controlled entities	(8,307,588)	(11,465,993)
Balance at the end of the year	29,269,020	27,833,141
<i>(ii) Share of jointly controlled entities' balance sheet</i>		
Current assets	25,107,325	26,630,803
Non-current assets	4,935,620	4,164,034
Current liabilities	(12,398,125)	(11,406,408)
Non-current liabilities	(2,094,384)	(3,191,471)
Net assets	15,550,437	16,196,958
<i>(iii) Share of jointly controlled entities' revenues</i>		
Revenues	33,889,708	36,846,165
<i>(iv) Share of jointly controlled entities' net income</i>		
Profit before income tax	20,020,981	20,063,770
Income tax expense	(6,006,294)	(6,019,131)
Profit after income tax	14,014,687	14,044,639

There were no impairment losses relating to the investments in jointly controlled entities and associates and the Group had no capital commitments or other commitments relating to the jointly controlled entities.

Notes to the Financial Statements

For the Year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
14. PLANT AND EQUIPMENT			
Furniture & fittings			
At cost		84,810	79,682
Accumulated depreciation		(44,686)	(36,719)
	14(a)	<u>40,124</u>	<u>42,963</u>
Office equipment			
At cost		377,796	352,745
Accumulated depreciation		(312,739)	(286,516)
	14(a)	<u>65,057</u>	<u>66,229</u>
Leasehold improvements			
At cost		24,563	24,563
Accumulated depreciation		(18,124)	(13,832)
	14(a)	<u>6,439</u>	<u>10,731</u>
Total		<u>111,620</u>	<u>119,923</u>

(a) Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.

Furniture & fittings

Opening balance	42,963	51,376
Additions	5,127	-
Depreciation expense	(7,966)	(8,413)
Closing balance	<u>40,124</u>	<u>42,963</u>

Office equipment

Opening balance	66,229	68,660
Additions	25,051	24,371
Depreciation expense	(26,223)	(26,802)
Closing balance	<u>65,057</u>	<u>66,229</u>

Leasehold improvements

Opening balance	10,732	17,886
Depreciation expense	(4,293)	(7,154)
Closing balance	<u>6,439</u>	<u>10,732</u>

Notes to the Financial Statements

For the Year ended 30 June 2011

	Note	CONSOLIDATED	
		2011	2010
		\$	\$
15. INTANGIBLES			
Software			
At cost		111,647	106,669
Accumulated amortisation		(66,560)	(38,911)
	15(a)	45,087	67,758
(a) Reconciliations			
Reconciliations of the carrying amounts of intangibles at the beginning and end of the current financial year.			
Software			
Opening balance		67,758	18,388
Additions		4,978	74,959
Amortisation expense		(27,649)	(25,589)
Closing balance		45,087	67,758
16. TRADE AND OTHER PAYABLES (CURRENT)			
Trade payables		381,044	929,189
Other payables		1,067,184	1,307,582
Related party payables:			
- jointly controlled entities		1,756,789	3,892,199
		3,205,017	6,128,970

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Related party payables

For terms and conditions relating to related party payables please refer to Note 26.

(c) Interest rate and liquidity risk

Trade and other payables are non-interest bearing. Liquidity risk exposure is not regarded as significant.

Trade, other and related party payables are all due within less than 90 days.

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
17. PROVISIONS		
Current		
Provision for annual leave, beginning balance	334,768	274,191
Provisions during the year	98,630	131,736
Annual leave taken	(137,509)	(71,159)
Provision for annual leave, closing balance	295,889	334,768
Non-Current		
Provision for long service leave, beginning balance	18,350	52,154
Provisions during the year	260,582	26,630
Long service leave taken	(146,499)	(60,434)
Provision for long service leave, closing balance	132,433	18,350

18. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares	2011	2010
Issued and fully paid	29,594,265	29,594,265

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in ordinary shares on issue

	TREASURY GROUP LIMITED			
	2011		2010	
	Number of shares	\$	Number of shares	\$
Balance at beginning of the financial year	23,070,755	29,594,265	23,070,755	29,594,265
Balance at end of the financial year	23,070,755	29,594,265	23,070,755	29,594,265

Notes to the Financial Statements

For the Year ended 30 June 2011

18. CONTRIBUTED EQUITY AND RESERVES (Cont.)

(c) Capital management

The Company's capital management policies focus on ordinary share capital. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders.

Management is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders or conduct share buybacks.

During the year ended 30 June 2011, management paid dividends of \$6,459,812 (2010: \$5,075,567). Management anticipates maintaining a dividend payout ratio over a medium term period of at least 65% of normalised earnings in a normal year subject to future acquisitions.

The Group does not have any external borrowings.

(d) Share Options

Options over ordinary shares:

During the financial year, no options were issued over ordinary shares (2010: nil).

At the end of the year there were 275,000 (2010: 1,655,000) unissued ordinary shares in respect of which 275,000 options (2010: 1,655,000) were outstanding to employees of the Group and jointly controlled entities. The options had a weighted average exercise price of \$12.07 (2010: \$11.85).

	CONSOLIDATED	
	2011	2010
	\$	\$
(e) Retained profits		
Balance at the beginning of the year	23,335,693	16,868,015
Profit for the year	10,005,104	11,676,131
Deconsolidation of entities no longer controlled	-	(132,886)
Dividends	(6,459,812)	(5,075,567)
Balance at end of year	<u>26,880,985</u>	<u>23,335,693</u>

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
18. CONTRIBUTED EQUITY AND RESERVES (Cont)		
(f) Reserves		
<i>Net unrealised gains reserve</i>		
Balance at the beginning of the year	398,331	150,029
Reversal of previous revaluation of available-for-sale investments sold during the year	(420,298)	-
Gain on available for sale investments previously consolidated	-	24,995
Net unrealised gains/(losses) on available for sale investments	(2,545)	72,386
Income tax relating to components of other comprehensive income	764	(21,715)
Share of after-tax gain on available for sale investments of jointly controlled entities	11,090	172,636
Balance at end of year	(12,658)	398,331
<i>Share options reserve</i>		
Balance at the beginning of year	2,798,973	3,290,780
Share-based payments, net of reversal	(89,718)	(511,049)
Share-based payments recharged to related parties	13,443	19,242
Balance at end of year	2,722,698	2,798,973
Total Reserves	2,710,040	3,197,304

Net unrealised gains reserve

The reserve records after tax fair value changes on available-for-sale investments.

Share Options reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 21 for further details of these plans.

Notes to the Financial Statements

For the Year ended 30 June 2011

19. SEGMENT INFORMATION

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of performance is specifically focused on the profit after tax earned by each business within the Group. Therefore the Group's reportable segments under AASB 8 are included in the table below.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's results by reportable operating segment:

	CONSOLIDATED	
	2011	2010
	\$	\$
Segment profit/(loss) after tax for the year		
- Outsourcing and Trustee Services	485,307	372,153
- Australian equities	9,208,147	12,120,152
- International equities	447,480	974,355
- Alternative investments	4,359,060	950,132
	14,499,994	14,416,792
- Central administration costs and directors' salaries	(4,494,890)	(2,740,661)
Total per income statement	10,005,104	11,676,131

Other than Australia, no country represents more than 10% of revenue for Treasury Group Limited and its jointly controlled entities.

No individual customer represents more than 10% of revenue for Treasury Group Limited and its jointly controlled entities.

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into commercial property leases to meet its office accommodation requirements. These non-cancellable leases have remaining term of 1 year as at 30 June 2011. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED	
	2011	2010
	\$	\$
<i>Future minimum rentals:</i>		
Minimum lease payments		
- not later than one year	205,789	372,899
- later than one year and not later than five years	-	205,789
Aggregate lease expenditure contracted for at reporting date	205,789	578,688
Amounts not provided for:		
- rental commitments	205,789	578,688
Total not provided for	205,789	578,688
Aggregate lease expenditure contracted for at reporting date	205,789	578,688

Note:

(a) Properties under non-cancellable operating leases have been sub-let to controlled entities. The total of future minimum lease payments expected to be received from controlled entities at the reporting date is nil (2010: \$nil).

Notes to the Financial Statements

For the Year ended 30 June 2011

21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

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 nor voting rights. When exercisable, each option is convertible into one ordinary share. The options are not quoted on the ASX. There are no cash settlement alternatives. Employees have to be employed by the consolidated group during the vesting period, otherwise the options are forfeited.

The positive expense reversal recognised in the Income Statement in relation to this share-based payment plan is \$76,275 (2010: positive expense reversal of \$491,807).

The weighted average exercise price of options granted during the year was \$nil for the consolidated entity (2010: nil).

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,505,000	\$11.85	2,155,000	\$14.24
- lapsed during the year ^	(1,230,000)	\$12.27	(650,000)	\$19.77
Outstanding at the end of the year	275,000	\$12.07	1,505,000	\$11.85
Exercisable at the end of the year	275,000	\$12.07	-	-

^ During 2011, 1,230,000 options lapsed held by certain key management personnel (2010: 650,000).

The outstanding balance as at 30 June 2011 is represented by:

* 275,000 options over ordinary share with an exercise price of \$12.07, exercisable between 12 June 2011 and 12 September 2011

The fair value of options granted under the officer and executive option plan is estimated on the date of granting using a Binomial option-pricing model applying the following assumptions:

	2011	2010
• Historical volatility for the financial year	n/a	n/a
• Risk free rate	n/a	n/a
• Dividend yield	n/a	n/a
• Expected life	n/a	n/a
• Other variables as contained in the notes to the financial report.		

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of options granted were incorporated in the measurement of fair value.

Notes to the Financial Statements

For the Year ended 30 June 2011

21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont)

Officer and Executive Long Term Incentive Share Plan

A long term incentive share plan has been established by Treasury Group Limited and its 100% subsidiary Treasury Group Investment Services Limited, where Treasury Group Limited may, at the discretion of the Board of Directors, grant deferred shares to Directors and executives. Shares are granted under this plan for no consideration and carry a right to dividends but no voting rights. The shares are granted in accordance with performance guidelines established by the Board of Directors of Treasury Group Limited. Employees have to be employed by the consolidated entity during the vesting period, otherwise the shares are forfeited. A total of 29,020 shares had vested on 12 March 2011.

The expense recognised in the Income Statement in relation to this share-based payment plan is nil for the consolidated entity (2010: nil). The following table illustrates the number and weighted average purchase price of shares purchased under the Officer and Executive Long Term Incentive Share Plan:

	2011		2010	
	Number of Shares	Share Price when granted	Number of Shares	Share Price when granted
Outstanding at beginning of year	29,020	10.00	29,020	10.00
- granted during the year	-	-	-	-
- vested during the year	(29,020)	10.00	-	-
Outstanding at the end of the year	-	-	29,020	10.00

Employee Share Plan

The Employee Share Plan has been established whereby Treasury Group Limited, at the discretion of the Board of Directors, provides the opportunity to employees and Directors to purchase shares in Treasury Group Limited at market value less a discount of 5% to 20%. These shares are purchased via a salary sacrifice arrangement. The shares are held in trust at the employees' request for a period between 2 and 10 years. Employees have to be employed by the consolidated group while taking part in the plan. There are 23 employees eligible to participate in the plan. Shares acquired under the Employee Share Plan vest immediately. During the year, 18,065 (2010: 15,730) shares were purchased under the plan at a weighted average cost of \$4.85 (2010: \$5.47). The balance as at 30 June 2011 was 84,117 shares (2010: 89,798). During the year, 36,256 shares were vested (2010: 15,730) and 23,746 shares were sold (2010: 68,011). The weighted average cost of all shares is \$5.30 (2010: \$5.42) per share.

22. SUBSEQUENT EVENTS

On 12 July 2011, Mr Andrew McGill commenced in his executive capacity as Chief Executive Officer of Treasury Group Limited. As part of his remuneration package, Mr McGill will receive both fixed and variable remuneration. The fixed remuneration consists of an annual salary of \$450,000. The variable remuneration includes short and long term incentives (refer to the Remuneration Report for further information on Mr McGill's contract). Mr Cooper also ceased to act in an executive capacity on 12 July 2011 resuming his role as a non-executive director.

On 12 July 2011, Treasury Group Limited acquired units in the Orion Sirius Fund for \$1,000,000. This investment represents seed capital to assist in the growth and marketing of this product.

On 17 August 2011, Ms Christine Feldmanis, the Managing Director of Treasury Group Investment Services Ltd gave notice of resignation to leave the Company.

On 24 August 2011, the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$4,614,151 which represents a fully franked dividend of 20 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements.

Notes to the Financial Statements

For the Year ended 30 June 2011

23. EARNINGS PER SHARE

	CONSOLIDATED	
	2011	2010
	\$	\$
Net profit attributable to ordinary equity holders of the parent	10,005,104	11,676,131
	Number of shares	
Weighted average number of ordinary shares used in calculating basic earnings per share:	23,070,755	23,070,755
Effect of dilutive securities:		
Dilutive effect of potential ordinary shares – share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	23,070,755	23,070,755
Earnings per share (cents per share)		
basic for profit for the year attributable to ordinary equity holders of the parent	43.4	50.6
diluted for profit for the year attributable to ordinary equity holders of the parent	43.4	50.6

Options do not have a dilutive effect on the Earnings per Share calculation due to the exercise price of all outstanding options being in excess of the average share price for the year.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

M. Fitzpatrick	Chairman (Non-Executive)
M. Burgess	Managing Director (resigned 24 June 2011)
D. Cooper	Director (Non-Executive)
P. Kennedy	Director (Non-Executive)
R. Hayes	Director (Non-Executive)

(ii) Executives

A. McGill	Chief Executive Officer (commenced 12 July 2011)
J. Ferragina	Chief Financial Officer
C. Feldmanis	Managing Director – Treasury Group Investment Services Limited (resigned 17 August 2011)
R. Sullivan	Head of Distribution

(b) Compensation for Key Management Personnel

	CONSOLIDATED	
	2011	2010
	\$	\$
Short-term	2,922,768	3,350,952
Post employment	88,974	86,837
Share-based payments	(76,275)	(491,807)
Total remuneration	2,935,467	2,945,982

Notes to the Financial Statements

For the Year ended 30 June 2011

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

(c) Option holdings of Key Management Personnel

30 June 2011	Balance at 1 July 2010	Granted as remuneration	Options exercised	Options lapsed	Balance at 30 June 2011	Total vested and exercisable at 30 June 2011*
Directors						
M. Fitzpatrick	-	-	-	-	-	-
D. Cooper	-	-	-	-	-	-
M. Burgess	1,000,000	-	-	(1,000,000)	-	-
P. Kennedy	-	-	-	-	-	-
R. Hayes	-	-	-	-	-	-
Executives						
J. Ferragina	150,000	-	-	(50,000)	100,000	100,000
C. Feldmanis	80,000	-	-	(30,000)	50,000	50,000
R. Sullivan	275,000	-	-	(150,000)	125,000	125,000
Total	1,505,000	-	-	(1,230,000)	275,000	275,000

30 June 2010	Balance at 1 July 2009	Granted as remuneration	Options exercised	Options lapsed	Balance at 30 June 2010	Total vested and exercisable at 30 June 2010*
Directors						
M. Fitzpatrick	-	-	-	-	-	-
D. Cooper	650,000	-	-	(650,000)	-	-
M. Burgess	1,000,000	-	-	-	1,000,000	-
P. Kennedy	-	-	-	-	-	-
R. Hayes	-	-	-	-	-	-
Executives						
J. Ferragina	150,000	-	-	-	150,000	-
C. Feldmanis	80,000	-	-	-	80,000	-
R. Sullivan	275,000	-	-	-	275,000	-
Total	2,155,000	-	-	(650,000)	1,505,000	-

* Options are exercisable once vested

Notes to the Financial Statements

For the Year ended 30 June 2011

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

(d) Share Holdings of Key Management Personnel

30 June 2011

Ordinary shares held in Treasury Group Limited (number)

	Balance 1 July 2010	Granted as remuneration	On exercise of options	Net change other #	Balance 30 June 2011
Directors					
M. Fitzpatrick	2,701,285	-	-	-	2,701,285
M. Burgess	5,000	-	-	-	5,000
D. Cooper	633,000	-	-	-	633,000
P. Kennedy	148,700	-	-	32,500	181,200
R. Hayes	-	-	-	-	-
Executives					
J. Ferragina	16,237	-	-	-	16,237
C. Feldmanis	28,745	-	-	-	28,745
R. Sullivan	16,122	-	-	-	16,122
Total	3,549,089	-	-	32,500	3,581,589

30 June 2010

Ordinary shares held in Treasury Group Limited (number)

	Balance 1 July 2009	Granted as remuneration	On exercise of options	Net change other #	Balance 30 June 2010
Directors					
M. Fitzpatrick	2,701,285	-	-	-	2,701,285
M. Burgess	-	-	-	5,000	5,000
D. Cooper	633,000	-	-	-	633,000
P. Kennedy	123,640	-	-	25,060	148,700
R. Hayes	-	-	-	-	-
Executives					
J. Ferragina	16,237	-	-	-	16,237
C. Feldmanis	28,745	-	-	-	28,745
R. Sullivan	16,122	-	-	-	16,122
Total	3,519,029	-	-	30,060	3,549,089

In the above table, net change other is comprised of shares in Treasury Group Limited acquired or disposed of during the year by key management personnel and for persons who are no longer considered key management personnel the change in their relevant shareholding.

(e) Transactions with director-related entity

Details of the transactions with Director-related entities are set out in Note 26. All transactions were conducted on commercial terms.

(f) Loans to key management employees

No loans have been advanced to key management employees at any stage during the financial year ended 30 June 2011 (2010: \$Nil).

Notes to the Financial Statements

For the Year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
25. AUDITOR'S REMUNERATION		
Auditor of Parent entity (Deloitte Touche Tohmatsu)		
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group and jointly controlled entities	163,000	154,000
- non-audit services to the entity and any other entity in the consolidated group	99,450	51,000
	262,450	205,000

26. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Treasury Group Limited and the controlled entities in the following list:

	Percentage of equity interest held by the consolidated entity	
	2011	2010
	Companies	
Treasury Capital Management Pty Ltd	100	100
Treasury Group Investment Services Limited	100	100
Treasury Group Nominees Pty Ltd	100	100

All subsidiaries are incorporated in Australia.

Transactions with related parties

Service fees

During the year, Treasury Group Limited and its wholly-owned controlled entity, Treasury Group Investment Services Limited provided administrative services to jointly controlled entities. Dealings were on commercial terms and conditions. Details of service fees and receivables at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Dividend and distribution

Dividends and distributions received and receivable at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Loans

Loans advanced by Treasury Group Limited to jointly controlled entities are with a fixed repayment date once repayment clause has been triggered. Interest on the loans is capitalised at commercial rates until repayment clauses have been triggered.

During the year, Treasury Group Limited provided \$100,000 additional loans to jointly controlled entities (2010: \$1,702,627) and \$1,683,677 (2010: \$881,991) in repayments were received, repaying the outstanding loan. Capitalised interest to jointly controlled entities during the year was \$36,014 (2010: \$283,262). Details of interest income and the amount remaining outstanding at year-end are disclosed in Note 5 and Note 12 to the financial report respectively.

Fund management

During the year, no Fund management and administration fees were paid (2010: \$501,048). Payables at the reporting date are disclosed in Note 16 to the financial report.

Notes to the Financial Statements

For the Year ended 30 June 2011

27. PARENT ENTITY DISCLOSURE

The accounting policies of the parent are the consistent with the consolidated entity.

(i) Financial Performance

	2011	2010
	\$	\$
Profit for the year	8,722,372	9,033,443
Other comprehensive income for the year (net of tax)	(1,781)	50,671
Total comprehensive income	8,720,591	9,084,114

(ii) Financial Position

Assets		
Current assets	9,006,242	9,878,111
Non-current assets	38,782,727	36,535,153
Total assets	47,788,969	46,413,264
Liabilities		
Current liabilities	653,742	1,345,233
Non-current liabilities	688,918	558,561
Total liabilities	1,342,660	1,903,794
Equity		
Issued capital	29,594,265	29,594,265
Retained earnings	14,153,096	11,890,537
Reserves		
Share options	2,722,698	2,798,973
Net unrealised (losses)/gains reserves	(23,750)	225,695
Total equity	46,446,309	44,509,470

Directors' Declaration

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

1. In the opinion of the Directors:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (iii) complying with International Financial Reporting Standards, as stated in note 2 to the financial statements
- (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.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2011.

On behalf of the Board



M Fitzpatrick
Chairman

24 August 2011

Independent Auditor's Report to the members of Treasury Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Treasury Group Limited, which comprises the statement of financial position as at 30 June 2011, and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of a financial report that gives a true and fair view, in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Treasury Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Treasury Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Treasury Group Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



A H Young
Partner
Chartered Accountants
Sydney, 24 August 2011

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 31 July 2011).

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	1,097	659,635
1,001	–	5,000	1,045	2,588,620
5,001	–	10,000	165	1,192,324
10,001	–	100,000	138	3,685,125
100,001		and over	21	14,945,051
			2,466	23,070,755
The number of shareholders holding less than a marketable parcel of shares are:			88	5,522

(b) Twenty largest shareholders (as at 31 July 2011)

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Squitchy Lane Holdings Pty Ltd	2,401,500	10.41
2	RBC Dexia Investor Services Australia Nominees Pty Ltd	2,190,931	9.50
3	Financial & Investment Management Group Ltd (Citicorp Nominees Pty Ltd)	1,582,654	6.86
4	Kattag Holdings Pty Ltd	1,150,000	4.98
5	Aust Executor Trustees NSW Ltd	1,126,087	4.88
6	UBS Wealth Management Australia Nominees Pty Ltd	1,073,598	4.65
7	Mr Timothy Gerard Ryan	840,000	3.64
8	National Nominees Limited	729,581	3.16
9	DSBH Pty Ltd	633,000	2.74
10	Perpetual Trustee Company Ltd	618,651	2.68
11	Mr Michael Brendan Patrick De Tocqueville	500,000	2.17
12	Banson Nominees Pty Ltd	370,313	1.61
13	Top Pocket Pty Ltd	311,390	1.35
14	HFM Investments Pty Ltd	250,000	1.08
15	HSBC Custody Nominees (Australia) Limited	223,784	0.97
16	JP Morgan Nominees Australia Limited	201,870	0.88
17	Penswood Pty Ltd	199,000	0.86
18	Bond Street Custodians Limited	182,031	0.79
19	Ms Honora Valerie Corbett	179,000	0.78
20	29 th Marsupial Ltd	142,050	0.62
		14,905,440	64.61

ASX Additional Information

(e) 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
Michael Fitzpatrick	2,701,285
Financial & Investment Management Group Ltd (Citicorp Nominees Pty Ltd)	1,582,654

(d) Voting rights

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