Treasury Group Ltd

ANNUAL REPORT 2012

Contents

Results at a Glance

During 2012 we addressed performance issues within our portfolio of boutique managers and improved the efficiency and focus of Treasury Group's operations.

KEY FINANCIAL HIGHLIGHTS DURING THE YEAR:

Normalised net profit after tax (NPAT)

$8.1m

Total funds under management

$16.4bn

Full year dividend (fully franked)

34 cents per share

	$	% change
Year End FUM ($bn)	16.4	-2.3
Aggregate Boutique Management Fees ($m)	71.0	-5.2
Reported NPAT ($m)	6.8	-32.5
Underlying NPAT ($m)	8.1	-17.0
Final Dividend (cps)	20	–
Full Year Dividend (cps)	34	–

About Us

Treasury Group Ltd is an ASX-listed investment management firm. We partner with a number of aligned boutique funds managers in which we own equity interests and provide support services.

Through our partners, we offer a range of investment products and services to investors across a variety of asset classes and investment styles.

Multi-boutique model:

- Superior alignment of investment team incentives to client outcomes
- Greater team stability addressing long-term career goals of managers
- Highest standards of compliance, corporate governance and service
- Low bureaucracy, efficient service delivery
- Capital for seeding and operations

A year of consolidation and change as we refocus our strategy:

PURSUE EFFICIENCIES

- Headcount at Treasury Group reduced by 24%, ongoing savings of $1.3m per annum
- Prioritise service delivery to boutique partners in development phase
- Selectively seek third party clients for service offerings

EXPAND AND DIVERSIFY PORTFOLIO, ADDRESS ISSUES

- Minority stakes in two boutiques acquired, Evergreen Capital and Octis Asset Management
- Global Value Investors and AR Capital restructured

FIX PREMIUM INVESTORS

- Restructure announced
- Improved outcomes for Premium Investors' Shareholders (including Treasury Group)

CONSIDER VALUE ENHANCING M&A OPPORTUNITIES

19%

Treasury Group total shareholder return was 11.5% versus -7.0% for S&P/ASX 300 Index

Amount by which Treasury Group total shareholder return exceeded the S&P/ASX 300 Index in 2012

Chairman's Report

2012 saw continued volatility across global equities and investment markets. This market backdrop presented challenging conditions for investment managers.

2012 saw significant change for Treasury Group. Following his appointment as CEO at the beginning of the year, Andrew McGill led a detailed review of our strategy in the context of current market conditions. Coming out of that review a number of actions were taken to address issues at portfolio and corporate levels. We did not shirk from difficult decisions in this process and have emerged as a more efficient and better positioned business at year end.

Our restructuring work did not distract us from also pursuing growth initiatives and investing in core capabilities. Since last year's Annual Report, we added two new boutiques, Melbourne-based Evergreen Capital and Singapore-based Octis Asset Management. Both are hedge fund managers and will help to further diversify our portfolio from its long-only equity bias. We invested in our distribution capability with the appointment of a senior London-based executive plus Client Services staff in Australia.

Global equities and investment markets experienced continued volatility and generally ended the year at lower levels. The All Ordinaries Index lost 7% during the year. In this environment, the Australian Funds Management Industry saw another year of funds outflows. Investors continued to prefer lower risk assets and tended to favour asset classes other than equities. In particular, flows from retail investors were subdued as investors sought lower volatility and capital preservation such as from bank term deposits.

In the context of difficult market conditions, a number of our boutique partners delivered exceptional performance for investors including Investors Mutual and Celeste, both of which were recognised with awards during the year.

Fundamentally, the Australian funds management industry is attractive and growing, underpinned by mandated increases to superannuation contributions and a stable economic and regulatory environment.

We are confident that investor confidence will return in due course. The restructuring and other strategic work completed this year leaves Treasury Group well placed to benefit when this occurs. Our business model is operationally 'leveraged' to the level of equity markets and we anticipate earnings will rebound strongly from any recovery in equity markets.

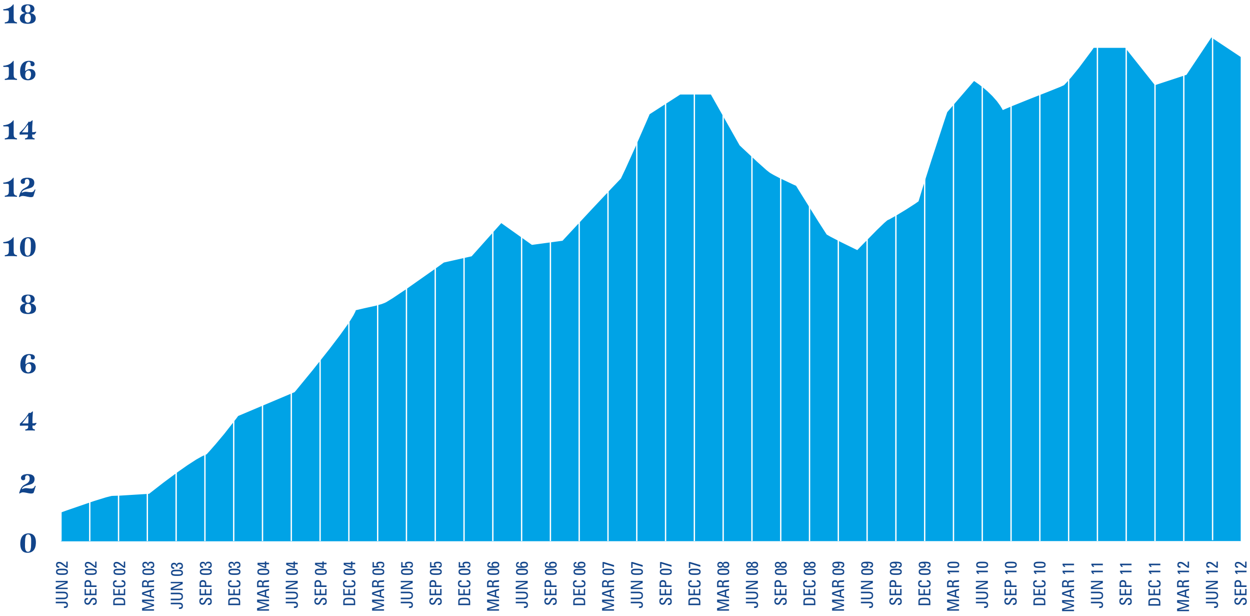
FINANCIAL RESULT

Treasury Group's underlying net profit after tax fell to $8.1m, down 17.0% on the prior year. Statutory net profit after tax was $6.8m, a fall of 32.5%. Treasury Group continues to maintain a strong balance sheet with no external debt and a high level of liquidity.

FUNDS UNDER MANAGEMENT

Funds under management fell by 2.3% to $16.4 billion at year end. This result reflects net inflows of $0.4bn offset by market value decline of $0.8bn. It includes some loss of funds at the boutiques restructured during the year (Global Value Investors and AR Capital).

Funds Under Management
($ billions)



DIVIDEND

In spite of the lower level of earnings this year, the Board remains confident in the outlook for the business. As such, a final dividend of 20 cents per share was declared. Total dividend for the year was 34 cents per share fully franked. The dividend was paid on 26 September 2012.

BOARD CHANGES

During the year, former CEO and executive director David Cooper resigned to pursue other opportunities. David made a very significant contribution to Treasury Group during his tenure and I take this opportunity to again thank him for his efforts.

As is our practice each year, we reviewed the effectiveness of the Board and considered the appropriate skills and experience required. We particularly sought a female director, as foreshadowed at last year's AGM. We were delighted to appoint Ms Melda Donnelly to the Board in March and Treasury Group will benefit from her qualifications and experience going forward.

SOCIAL RESPONSIBILITY

Treasury Group is proud to support a number of very capable and hard working organisations in their efforts to bring about worthwhile social change. For a number of years, we have supported Social Ventures Australia and Third Link Investment Managers via the provision of investment and support services on a pro-bono basis. Social Ventures Australia invests in social change by increasing the impact and sustainability of a range of charities. It provides funding and strategic support to carefully selected non-profit partners. Third Link and Social Ventures are wonderful organisations and I invite you to learn more about their work by visiting www.socialventures.com.au

OUTLOOK

Over the past 12 months Treasury Group has become leaner and more focused. Going forward, our emphasis will be on growth. We will consider mergers and acquisitions that deliver additional value without exposing shareholders to excessive risk. The current market environment offers the potential to acquire assets at relatively attractive prices which would not be available in a more bullish market.

With the addition of two new and the restructuring of two existing boutiques, our portfolio now has improved balance between established successful performers and younger businesses that offer significant future growth potential. None of our partners has yet reached capacity limits and all can deliver earnings growth to Treasury Group in future.

In short, Treasury Group is well placed to earn higher profits as equities and investment market conditions improve.

I would like to thank our staff, boutique partners and clients for their support during this year. We look forward to continuing to work closely with you in coming years.

Mike Fitzpatrick
Chairman

CEO's Report
2012 was a year of consolidation and change as we refocus our strategy. We did not shy from difficult decisions as we sought to improve outcomes for Treasury Group shareholders.

BUSINESS PERFORMANCE

2012 was a year of continued volatility across global equities and investment markets, providing a difficult operating environment for some of our partner boutiques. Our financial performance is strongly correlated with the level of listed equities markets because the fees earned by our boutique partners are based upon a percentage of funds managed. When markets rise in value, so do the fees earned by our partner boutiques. During the year, global equities markets fell and this was reflected in a lower level of Treasury Group's earnings.

2012 was also a year of consolidation and change as we refocus our strategy. We did not shy from difficult decisions as we sought to improve outcomes for Treasury Group shareholders. During the year, the businesses of two of our partner boutiques were restructured to address performance and other business issues. We applied the same discipline to our own business and took action to lower ongoing costs and improve operating efficiency at Treasury Group. A significant amount of one-off and abnormal cost was incurred during the year as a result of these actions.

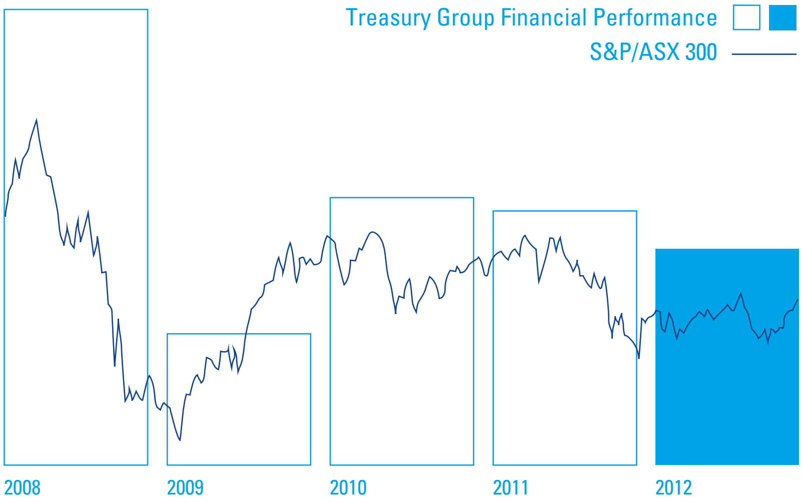
During the second half of the year, Treasury Group initiated a review of the structure and performance of Premium Investors Limited. Since 2003, Treasury Group has provided investment management and support services to Premium Investors. Apart from a modest level of annual income, a more important aspect of the original relationship with Premium Investors was that it provided Treasury Group with control of an amount of capital for seed funding purposes. Unfortunately, the strategic value of the Premium Investors relationship has diminished over time due to increased restrictions on the investment mandate. The proposed restructure of Premium Investors will include changes to the investment mandate and restore strategic value in the relationship for Treasury Group. It will also address various structural and other issues faced by Premium Investors.

Our restructuring work did not distract Treasury Group from pursuing our perennial goal of further growth and diversification of our portfolio of boutiques. During the year we acquired minority stakes in two boutique funds management businesses. Both are hedge funds within the alternative asset class. Evergreen Capital is a Melbourne-based absolute return manager of Australian equities. Octis Asset Management is a Singapore-based multi-strategy manager of global equities. Further information in relation to both of our new partners is included later in this report.

OPERATIONAL AND FINANCIAL PERFORMANCE

- Total funds under management fell by 2.3% during the year to finish at \$16.4bn. In addition to adverse market value movement, this reflected a modest level of net funds outflows across the aggregate funds managed by our partner boutiques. Funds inflows were experienced at RARE Infrastructure, Investors Mutual and Celeste. Outflows were experienced at Orion and GVI.
- Average net margin earned by our boutique partners on managed funds was flat, a welcome improvement in the trend of prior years.
- Treasury Group partner boutiques have historically delivered outperformance (i.e. net investment returns in excess of benchmark) for their investors. During the year, this trend continued with Investors Mutual and Celeste performance being of particular note. Both of these managers were recognised with nominations for industry awards. Investors Mutual was awarded Fund Manager of the Year for Large Cap Australian Equities by both Morningstar and Money Management/Lonsec.
- Normalised net profit after tax was \$8.1 million, down 17.0% versus prior year, reflecting the performance of global equities markets as well as a changing mix of contributions from partner boutiques.

Financial Performance



Treasury Group financial performance is strongly correlated with the level of listed equities markets.

The S&P/ASX 300 Index declined by 11% during 2012.

Source: Treasury Group & Bloomberg

- Expenses at Treasury Group were well controlled. During the year, headcount was reduced by six (24%) which will deliver $1.3m per annum of ongoing savings. Expense levels were controlled at our partner boutiques and fell 8.5% versus prior year on a normalised basis.
- Statutory net profit after tax was $6.8 million, down 32.5% compared to last year. This reflected the normalised result as well as the impact of one-off abnormal expenses associated with the restructuring actions.
- Capital levels are surplus to regulatory requirements and provide some scope for growth opportunities. At year end, cash available-for-sale investments and loans to partner boutiques totalled $21.7m. There was no outstanding debt. Operating cash flow during the year was $6.7m.
- The value of Treasury Group's investment in partner boutiques is carried at $30.0m which represents historical cost plus our share of undistributed earnings over time. In reality, a significant proportion of this carrying value is reflected in cash and liquid assets held at boutique level. At 30 June, the aggregate cash and liquid assets held by Treasury Group boutiques was $33.3m and Treasury Group's proportionate share of that amount was $15.2m.

MARKET ENVIRONMENT

2012 saw continued volatility across global investment markets. Major international listed equity markets were down at year end reflecting investor concerns about the pace of growth in corporate earnings and the potential impacts of well publicised global macro risks such as higher European sovereign debt risks and the slower rate of growth in China. The Australian economy remained relatively strong by global standards. However, there have been marked differences evident in conditions within different industry sectors. The Australian dollar lost 4.9% versus the US dollar during the year. Indices of major traded Australian commodities declined (typical decline was around 9% in Australian dollar terms). This market backdrop presented challenging conditions for investment managers.

Treasury Group witnessed the impact of these conditions in various ways.

We saw investors continue to favour defensive asset classes and investment styles. Retail investors in particular remain cautious in relation to equities and this affects Treasury Group given our weighting to equities managers. However, the impact on us is not universally negative as RARE Infrastructure continues to be well placed in this environment given the defensive nature of infrastructure assets. Due to their strong long term performance, they experienced funds inflows and increased revenue during the year. Market conditions pushed investors towards defensive investment styles. Strong investment performance across all time periods by Investors Mutual was rewarded during the year with funds inflows from institutional investors.

Treasury Group's business operates in a regulated environment that is frequently subject to review and, in recent years, regular change. During the year, Treasury Group staff provided a range of services to our partner boutiques including preparing their businesses for implementation of the new short-form Product Disclosure Statement regime which took effect towards the end of the year. In Europe, we worked to meet the simplified prospectus (KIIDs) and other requirements of the UCITs IV regulations that apply to TG Investments. Looking forward, our Risk and Compliance staff are working to ensure Treasury Group's compliance with new financial requirements for Responsible Entities, the Foreign Account Tax Compliance Act (FATCA) and Future of Financial Advice Reforms Act (FoFA). The annual compliance burden on funds management businesses is significant and is a key area in which Treasury Group delivers value to its partner boutiques, relieving them of much of that load and allowing them to focus on investment management.

CEO'S Report cont.

Treasury Group, via our wholly-owned subsidiary Treasury Group Investment Services Limited, provides a full suite of business support services to our partner boutiques and selected external clients.

STRATEGY

Following my appointment as CEO in July 2011, Treasury Group's strategy was subjected to careful and considered review. In last year's annual report, I commented broadly on some of the elements of our business strategy and nominated various opportunities for us. 2012 was a year of consolidation and change as we addressed some of these opportunities and refocused our efforts.

Expansion and diversification of Treasury Group portfolio of boutiques: Acquired minority stakes in two hedge fund managers, taking our portfolio of partner boutiques to eight.

Invest in Distribution and Marketing capabilities: We increased our distribution capabilities with the addition of a London-based Director of Distribution and a Sydney-based Client Services Manager. In addition, we improved the balance of our Australian-based team with the recruitment of a Melbourne-based Director of Distribution.

Pursue efficiency from support services: We reduced staff costs by $1.3m on an annualised basis via redundancies and decisions not to replace other staff who resigned. In spite of this headcount reduction, our capabilities to deliver quality services to partner boutiques and selected third party clients remain strong. Going forward, our priority will be to allocate our servicing capability to clients that value it most highly including boutique managers in earlier stages of development.

The strategic focus of our support services remains with our partner boutiques. However, we recognise the income and cost recovery advantages that result from the provision of services to third party clients. For this reason, we plan to purse a limited number of third party clients for both distribution and other support services.

Currently, we are reviewing TG Investments, our Dublin-based UCITs platform. Facilitating the availability of a UCITs platform for our boutique partners is a valuable service provided by Treasury Group and is one that we wish to continue to offer. However, the optimal method of delivering this service is debatable and this question is the focus of our review.

Proactive management of our investments in boutiques: During the year, the businesses of two of our partner boutiques were restructured to address performance and other business issues.

In November 2011, Global Value Investors was restructured with responsibility for investment management outsourced to Aubrey Capital Management and Global Value Investors became a wholly-owned subsidiary of Treasury Group. The restructuring followed an extended period of investment and business performance issues. It is pleasing to report that post restructure investment performance has been strong and the retention of funds has exceeded our expectations to date.

In December 2011, we suffered from successive 'key man' events at AR Capital with both investment principals separately deciding to resign within a short period. These resignations were not sought by Treasury Group and were extremely disappointing to us. Treasury Group's response was to swiftly identify, approach and conclude negotiations with the best available hedge fund manager to assume responsibility for management of the Ascot Fund. We were initially pleased to secure the services of Evergreen Capital Partners on an outsourced basis and then delighted with our subsequent success in acquiring an equity stake in Evergreen.

Our proactivity was not confined to management of our boutique portfolio and during the year we initiated a review of the structure of Premium Investors to address legacy issues faced by Premium Investors including its inability to pass through dividend and distributions in certain circumstances and its history of trading at a persistently large discount to net tangible asset backing.

Work towards our strategic goals remains unfinished and ongoing.

Potentially the most significant strategic impact for our business may come from merger or acquisition opportunities at a corporate level. Market conditions in recent years have presented consolidation and acquisition opportunities for Treasury Group that were previously unavailable or unattractively priced. Our sound capital position and strong cash flow from our portfolio of boutique investments leaves Treasury Group well placed to pursue such opportunities. These types of opportunities are potentially risky and difficult to forecast. However, with a disciplined approach and the assistance of our professional advisers we will continue to assess such opportunities as they arise.

I expect coming years to be exciting and prosperous times for Treasury Group as we benefit from the restructuring work and investment decisions taken during the past year.

Andrew McGill
Chief Executive Officer

Review of Boutiques

Treasury Group boutiques have delivered strong investment returns for clients and outperformed their market benchmarks over medium and long-term time horizons.

INVESTORS MUTUAL

Led by Anton Tagliaferro and Hugh Giddy, Investors Mutual has a conservative investment style with a long-term focus, and aims to deliver consistent returns for clients. It achieves this through the disciplined application of a fundamental and value-based approach to investing.

In 2012, funds under management rose to $2.8bn, representing a 9.5% increase. Investment performance was very strong. For example, Investors Mutual's Australian Share Fund returned +1.3% for the year which was 8.3% ahead of benchmark. Investors Mutual's ratings were upgraded by two ratings agencies.

During the year, Investors Mutual was recognised as Fund Manager of the Year for Large Cap Australian Equities by each of Morningstar, Money Management/Lonsec and Smart Investor.

ORION ASSET MANAGEMENT

Orion Asset Management Limited is a specialist Australian equities fund manager led by Tim Ryan. Orion seeks to invest in attractively priced companies that have the potential to grow their earnings and sustain profitability. It is an active, bottom-up stock picker, and is considered to be a moderate growth style manager.

Orion has an alliance with US-based Trilogy Global Advisors, whereby Orion acts as distribution agent for Trilogy's services in Australia. Orion has raised significant funds for Trilogy within Australia and earns fees for distribution and other services provided.

At year end, funds under management by Orion were $3.6 billion which was down 31% versus the prior year. The investment performance of Orion during the year was impacted by the drag on the market by the materials sector. However, since inception Orion has delivered alpha for its investors relative to its benchmarks.

RARE INFRASTRUCTURE

Led by Richard Elmslie and Nick Langley, RARE Infrastructure Limited specialises in the investment and management of securities in the global listed infrastructure sector, including airports, gas, electricity, water and roads.

During the year, RARE's funds under management increased by 16% to $4.9 billion. RARE funds remain ranked within the top quartile of their peer groups. During the year, investment performance was generally strong but the Australian dollar hedged Infrastructure Value Fund was behind its one year benchmark by 3.5% at year end. RARE Infrastructure has delivered outperformance for its clients since inception.

CELESTE FUNDS MANAGEMENT

Celeste Funds Management is an Australian long-only equities manager with a focus on listed smaller companies. The Celeste team is process centric and has worked together since 2002.

The Celeste team continues to be highly rated among small cap managers. It was nominated for a number of industry awards during the year.

During the year, Celeste grew its funds under management from both institutional and retail sources by 30% to $532m by year end. Investment performance during the year was very strong with the Celeste Australian Small Companies fund beating its benchmark by 12.5%. Celeste has delivered alpha for its clients over all reported time periods since inception.

AUBREY CAPITAL MANAGEMENT

Aubrey Capital Management is a global growth equity thematic manager based in Edinburgh, Scotland. Led by Andrew Dalrymple, the Aubrey team are experienced global equity investor focused on concentrated portfolios of growth stocks.

During the year, Aubrey was appointed as sub-manager of the GVI Global Industrial Fund following the restructure of GVI. Recently Aubrey has received a recommended rating from Zenith for its Australian pooled fund.

By year end, Aubrey's funds under management had increased by 63% to $355m, including funds within the GVI funds. Aubrey has delivered strong investment performance for investors since inception. However, for the 2012 financial year, returns for the Aubrey Global Conviction Fund were behind its benchmark by 6.6%. Investors in the GVI funds have received strong performance from Aubrey since it assumed responsibility for those funds.

By year end, RARE's funds under management had increased by

16%

TREASURY ASIA ASSET MANAGEMENT

With offices in Sydney and Singapore, Treasury Asia Asset Management specialises in investing in Asia Pacific equity securities.

During the year, TAAM made a number of senior appointments in the investment and back office teams along with other changes to the team structure and responsibilities. As a result, the business is beginning to see improved investment performance which should place the company in a better position to grow funds under management over the next 12 – 18 months.

During the year, funds under management decreased by 9.2% to finish the year at $649m. Investment performance for the TAAM New Asia Fund was 1.6% behind its benchmark for the year.

EVERGREEN CAPITAL PARTNERS

Led by Tim Hannon, Evergreen is a Melbourne-based absolute return fund manager that targets returns of over the medium to long term with lower volatility than the Australian equity market.

Evergreen won the Best Emerging Manager award at the Australian Hedge Fund Awards in 2011.

In the first half of the 2012 financial year, Evergreen was appointed sub-manager of the AR Capital Ascot Fund.

At year end, Evergreen funds under management were approximately $170m including its absolute return funds and property fund joint venture. Since inception, returns to investors in the Evergreen Equity Returns Fund have been strong, ahead of its benchmark by 15.7% per annum.

OCTIS ASSET MANAGEMENT

Led by Jerome Ferracci, Octis Asset Management Pte Ltd is an Asian multi-strategy hedge fund manager based in Singapore. The investment team aims to achieve capital gains for investors with a low level of volatility. Octis trades equities, futures, options, commodities and foreign exchange securities utilising a number of different strategies.

Octis currently manages approximately $50m. Since inception, the Octis Asia Pacific Fund has outperformed the MSCI Asia Pacific index by 12.5% per annum.

Introduction to Evergreen Capital and Octis Asset Management

OCTIS ASSET MANAGEMENT

Founded by Jerome Ferracci, Octis Asset Management (Octis) is a Singapore-based manager specialising in Asian alternative strategies. Octis commenced operations in 2007 and now has an impressive four year track record of investment performance and $50 million in funds under management.

We believe that Octis is well placed for a period of strong growth in funds under management. The Octis team, investment process and performance to date present an attractive alternative for investors seeking exposure to the growth of Asian economies.

Jérôme has a total of 27 years experience in equity and equity derivatives trading business, during which he ran several proprietary trading books, dealing with equity cash, futures, options, arbitrages and convertible bonds. He has also accumulated strong organisational skills and management experience in Paris, London and Hong Kong in organisations such as Credit Commercial de France (CCF) as well as HSBC. He has a post graduate in Economics and Financial Management from the Conservatoire National des Arts et Métiers (CNAM) of Paris.

Treasury Group acquired a 20% equity stake in Octis in July 2012 plus an option to increase our equity stake by a further 10% if hurdles linked to new funds flow are satisfied.

EVERGREEN CAPITAL PARTNERS

Founded in 2009 by Tim Hannon, Evergreen is a boutique funds management business with a focus on management of ASX listed equities via an absolute return style. Evergreen's flagship fund is the Evergreen Australian Equities Return Fund through which it seeks to generate investment performance via systematic exploitation of market inefficiencies whilst also seeking to preserve capital.

Tim was a partner of Goldman Sachs JBWere and during his 14 year tenure at the firm had senior experience across all areas of equities investing. Tim was Head of Australian Equities, Head of Real Estate and Co-Manager of Global Real Estate Securities portfolios with Goldman Sachs LLP. Tim was also founder and co-manager of the Goldman Sachs JBWere Australian Infrastructure Securities Fund, and co-manager of the award winning Goldman Sachs JBWere Emerging Leaders Fund. Tim has won numerous industry awards, including S&P Fund Manager of the Year and Morningstar Fund Manager of the Year.

In addition to its core equities focus, Evergreen has a joint venture with Freehold Investment Management. The JV manages Australian real estate and infrastructure securities. This business is operated separately from the equities business and is led by Andrew Smith. Andrew has over 15 years' experience in the securities markets and portfolio management. He previously worked at Goldman Sachs Asset Management and was responsible for portfolio management and analysis for the Global Real Estate Securities Fund and the Global Real Estate Securities Hedge Fund.

Currently, Evergreen manages approximately $100m in funds on behalf of high net worth individuals, family offices and institutions. The property JV currently has $70m in funds under management.

Treasury Group acquired a 30% stake in Evergreen Capital in May 2012. The relationship between Treasury Group and Evergreen commenced in December 2011 when Evergreen was appointed as the sub-manager for the AR Capital Ascot fund. Treasury Group's investment comprised an upfront payment plus a further deferred amount contingent upon the achievement by Evergreen of business performance hurdles prior to 30 June 2014. Evergreen adds to the growth of alternative managers in the Treasury Group stable.

30%

Treasury Group acquired a 30% stake in Evergreen Capital in May 2012. The relationship between Treasury Group and Evergreen commenced in December 2011 when Evergreen was appointed as the sub-manager for the AR Capital Ascot fund.

Treasury Group Services

Treasury Group, via our wholly-owned subsidiary Treasury Group Investment Services Limited, provides a full suite of business support services to our partner boutiques and selected external clients.

THE SERVICES OFFERED INCLUDE:

- distribution and sales
- acting as Responsible Entity for pooled investment funds
- risk management
- legal and regulatory compliance
- accounting and finance
- company secretarial and corporate governance oversight
- human resources management
- investment operations oversight
- business administration and office logistics
- information technology and automation solutions

We are able to provide these services through our team of experienced and professional staff.

Services provided by Treasury Group allow investment staff to focus on their area of specialisation – delivering strong investment returns on the funds they manage. Treasury Group provides these services to clients via different pricing models including fixed fee arrangements, variable hourly rates and commission or success-based fees.

During their development phase, Treasury Group boutiques often benefit from provision of services by Treasury Group at less than market-based rates. Pricing for mature boutiques and third party clients is based on market rates.

Directors' Report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Your Directors submit their report for the year ended 30 June 2012.

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

1. 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.

2. David Cooper (Non-Executive Director), B. Ec./Fin, resigned 14 December 2011 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, having resigned in December 2010. Mr Cooper joined Treasury Group Ltd in July 2002 as Strategic Investments Manager. Prior to joining the Company, he was the Head of the Institutional Division at Perpetual Investments Ltd. When the previous CEO resigned on 24 March 2011, Mr Cooper stepped in and provided interim executive support until 12 July 2011, resuming his role as a non-executive director until his resignation on 14 December 2011.

3. 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.

4. 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 on the Audit and Remuneration Committees.

5. Melda Donnelly (Non-Executive Director), B.C., appointed 28 March 2012
Melda Donnelly is the Founder and former Chairman of the Centre for Investor Education (CIE), a specialist education and consultancy firm for Executives in Australian and superannuation funds, institutional investment bodies and the financial services markets. Ms Donnelly's previous work experience includes CEO of the Queensland Investment Corporation, Deputy Managing Director of ANZ Funds Management and Managing Director of ANZ Trustees.

Ms Donnelly is a former Deputy Chairperson of the Victorian Funds Management Corporation and a current Non-Executive Director of Ashmore Group plc and a current Non-Executive Director of UniSuper Ltd. In addition, Ms Donnelly is a member of the Advisory Committee of the Oxford University Centre for Ageing.

COMPANY SECRETARY

6. Reema Ramswarup
BA (Justice Administration)
Ms Ramswarup commenced with Treasury Group Ltd in March 2008. She has worked in company secretarial roles at Wattyl 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.

Directors' Report cont.

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/performance rights of Treasury Group Ltd were:

	Ordinary shares	Options over ordinary shares
M. Fitzpatrick	2,701,285	–
R. Hayes	–	–
P. Kennedy	211,200	–
M. Donnelly	–	–

EARNINGS PER SHARE

	Cents
Basic earnings per share	29.3
Diluted earnings per share	29.3

DIVIDENDS

	Cents	$
Final dividend recommended:		
• on ordinary shares (fully franked)	20	4,614,151
Dividend paid in the year:		
Interim for the year		
• on ordinary shares (fully franked) paid on 26 March 2012	14	3,229,907
Final for 2011 shown as recommended in the 2011 report		
• on ordinary shares (fully franked) paid on 28 September 2011	20	4,614,151

CORPORATE INFORMATION

Corporate structure

Treasury Group Ltd is a company limited by shares and is incorporated and domiciled in Australia. Treasury Group Ltd 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:

TREASURY GROUP LTD

- Treasury Group Investment Services Limited (100%)
- Global Value Investors (100%)
- AR Capital Management Pty Ltd (91.5%)
- Investors Mutual Ltd (47.5%)
- IML Investment Partners Pty Ltd (40%)
- Treasury Asia Asset Management Ltd (43.96%)
- Orion Asset Management (Aust) Pty Ltd (41.99%)
- RARE Infrastructure Ltd (40%)
- RARE IP Trust (40%)
- Celeste Funds Management Limited (39.17%)
- Evergreen Capital Partners Pty Ltd[1] (30%)
- Octis Asset Management Pte Ltd[2] (20%)
- Aubrey Capital Management Ltd (20%) see page 16

[1] Treasury Group holdings are held via Treasury Evergreen Pty Limited.

[2] Treasury Group holdings are held via Treasury Octis Pty Limited.

Directors' Report cont.

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 19 full time equivalent employees as at 30 June 2012 (2011: 23 employees). The consolidated entity includes Treasury Group Ltd (parent entity), Treasury Group Investment Services Limited, Global Value Investors Ltd and AR Capital Management Pty Ltd.

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 Ltd, undertakes a sub-advisory role to exclusively manage funds for Investors Mutual Limited and its institutional clients. Treasury Group Ltd 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 Ltd 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. On 14 December 2011, Treasury Group Ltd acquired a further 47.5% equity interest in Global Value Investors Ltd from Investors Mutual Ltd, effectively increasing the Group's direct ownership from 25% to 72.5%. As a consequence of the terms of the shareholders agreement relating to the ability of TRG to acquire minority interests, Treasury Group Ltd gained control of Global Value Investors Limited as at 31 December 2011. Treasury Group Ltd has since 31 December 2011 acquired the remaining minority interests, increasing the direct ownership to 100%.

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 Ltd holds convertible preference shares that entitle Treasury Group Ltd 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 Ltd 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), a boutique asset manager, specialises in listed global infrastructure. Treasury Group Ltd owns 40% each of RARE and RARE IP Trust (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. During the year, Treasury Group Ltd increased its interest by 61.5% in AR Capital Management Pty Ltd through a selective share buyback offered to existing shareholders of the company. As a consequence, Treasury Group Ltd owns 91.5% of the issued capital of AR Capital Management Pty Limited via which Treasury Group Ltd has gained control of the company.

Evergreen Capital Partners Pty Ltd is an Australian equity absolute return manager. It focuses on management of ASX listed equities via an absolute return style. Treasury Group Ltd owns 30% via its subsidiary Treasury Evergreen Pty Limited. Evergreen Capital Partners Pty Ltd is considered a jointly controlled entity.

Octis is an Asian multi-strategy equity manager based in Singapore. Treasury Group owns 20% via its subsidiary Treasury Octis Pty Limited with an option to increase that by a further 10% if certain hurdles linked to new funds flows are satisfied.

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

Operating Results for the Year

The consolidated profit for the year attributable to members of Treasury Group Ltd amounted to $6,751,757 (2011: $10,005,104). The net profit after tax of the Group as reported in the current year has decreased compared to the 30 June 2011 comparative result as shown in the table below, reconciling the underlying profit as follows:

	CONSOLIDATED	
	2012 $	2011 $
Net profit attributable to members of the parent	**6,751,757**	10,005,104
Add back:		
— Impairment of AR Capital Management Pty Ltd	**361,201**	–
— Net effect of GVI restructuring costs	**770,616**	–
— TRG redundancies	**106,806**	
— Realised loss/(gain) on sale of investments	**85,158**	(61,944)
	8,075,538	9,943,160
Less:		
— Reversal of option amortisation	–	215,731
Underlying profit	**8,075,538**	9,727,429

During the year, Treasury Group Ltd acquired units in Orion Sirius Fund for $1,000,000. Treasury Group Ltd also redeemed its units in Global Industrial Share Fund Unhedged and subsequently invested the proceeds for units in Global Opportunities Fund Hedged and Global Opportunities Fund Unhedged which were also redeemed during the period. These investments represent seed capital to assist in the growth and marketing of these products.

Treasury Group has since 31 December 2011 acquired the remaining minority interests in Global Value Investors, increasing the direct ownership to 100%. Treasury Group Ltd also acquired additional 61.5% equity interest in AR Capital Management Pty Ltd through a selective share buyback offered to existing shareholders of the company, effectively increasing Treasury Group Ltd's equity ownership to 91.5%. Treasury Group also acquired a 30% equity ownership in Evergreen Capital Partners Pty Ltd, through its subsidiary Treasury Evergreen Pty Limited for an amount of $1,400,000 with a deferred amount contingent upon the achievement by Evergreen of business performance hurdles prior to 30 June 2014 which would be up to a cap of $2,000,000 (including the $1.4m already paid).

As a result of his giving notice to resign on 7 March 2012, in accordance with the terms of the Employee Option Plan, Mr Sullivan's 140,000 performance rights lapsed and have been terminated. This resulted in a positive recharge to share-based payment expense relating to current year charges for these long term incentives in the amount of $74,227.

Earnings Per Share

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

	2012	2011
Basic earnings per share (cents)	**29.3**	43.4
Diluted earnings per share (cents)	**29.3**	43.4

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 there has been no existing borrowing facilities that were required to date to fund the growth activities of the Group.

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 financial year, the Company did not conduct any buy-back schemes to reduce its share capital (2011: nil).

Directors' Report cont.

Cash Flow from Operations

Net cash flow from operating activities decreased by $1.1m to $6.7m or by 14% over the year. Net operating cash flows from receipts from customers and payments to suppliers are lower in the current year due to the impact of restructuring costs of the acquired subsidiaries during the year.

During the year, the Company paid $7,844,058 in dividends. Consolidated cash balance as at 30 June 2012 is $8,194,805.

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 important 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 process with the express purpose of examining new asset management opportunities for the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 12 July 2011, Mr Andrew McGill commenced in his capacity as Chief Executive Officer of Treasury Group Ltd. On 28 March 2012, Ms Melda Donnelly was appointed as Non-Executive Director.

On 11 May 2012, AR Capital Management Pty Ltd completed a buyback offer to other shareholders of the company. As a consequence of the buyback, Treasury Group Ltd effectively increased its percentage of ownership 91.5%. On 23 May 2012, Treasury Group Ltd acquired the remaining minority interests in Global Value Investors, increasing the direct ownership to 100%. Treasury Group Ltd also acquired a 30% equity ownership in Evergreen Capital Partners Pty Ltd for an upfront payment of $1,400,000 plus a further deferred amount of $600,000 contingent upon the achievement by Evergreen of business performance hurdles prior to 30 June 2014.

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 10 July 2012, Treasury Group Ltd acquired 20% equity ownership in Octis Asset Management Pte Ltd with an option to increase it by further 10% if certain hurdles linked to new fund flows are satisfied. Octis is an Asia multi-strategy equity manager based in Singapore. Cost of the initial 20% acquisition was $225,395.

On 22 August 2012, the Board of Premium Investors Limited (PRV) resolved to undertake an off market buyback of up to 75% of the ordinary shares on issue subject to approval by PRV shareholders. This is likely to have an effect on the results of the Group in the coming financial year, the extent of which is yet to be determined as the outcomes of this process are yet to occur.

On 22 August 2012, the Directors of Treasury Group Ltd declared a final dividend on ordinary shares in respect of the 2012 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 2012 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 report and other ASX disclosures 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 no unissued ordinary shares under options (30 June 2011: 275,000) 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 22 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 Ltd. No options were exercised since the end of the financial year.

Directors' Report cont.

PERFORMANCE RIGHTS

During the year, Treasury Group Ltd issued 816,749 performance rights to executives and certain employees as part of their long term incentives. These performance rights were granted on 12 July 2011 and have a vesting date of 11 July 2014. The performance rights on issue were valued by RSM Bird Cameron using a hybrid monte-carlo/binomial option pricing model. The value of each right at issue was $1.64. Due to resignation or redundancy of employees, 154,517 issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,109,868 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $351,109.

As at the date of this report, there were no unissued ordinary shares under performance rights (30 June 2011: nil) held by employees of the Group. Further details of the performance rights outstanding to employees of the Group are included in Note 22 to the financial 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 in certain circumstances against 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 Ltd 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 three executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'Executive' encompasses the 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 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.

Directors' Report cont.

REMUNERATION REPORT (AUDITED) CONT.

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.

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 Ltd.

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 Chief Executive Officer (CEO) on Executive performance. The CEO bases his report on a number of tailored Key Performance Indicators (KPI) 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 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 STIs above.

Structure

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

The Company uses Total Shareholder Return (including both dividends and share price movements) relative to market and peer group benchmarks as the performance hurdle for the long term incentive plan to ensure alignment between shareholder return and reward for Executives.

Directors' Report cont.

REMUNERATION REPORT (AUDITED) CONT.

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:

	SHORT TERM		POST EMPLOYMENT	SHARE-BASED PAYMENTS		OTHER	TOTAL	PERFORMANCE RELATED
	Salary & fees $	Cash bonus[1] $	Superannuation $	Shares $	Options/ Performance rights[2] $	Others[3] $	$	
Directors								
M. Fitzpatrick – Chairman								
2012	114,679	–	10,321	–	–	–	125,000	–
2011	110,321	–	9,929	–	–	–	120,250	–
D. Cooper – Non-Executive Director								
2012	116,302	–	3,396	–	–	–	119,698	
2011	349,707	100,000	12,160	–	–	–	461,867	22%
P. Kennedy – Non-Executive Director								
2012	120,000	–	–	–	–	–	120,000	–
2011	113,750	–	–	–	–	–	113,750	–
R. Hayes – Non-Executive Director								
2012	68,808	–	6,192	–	–	–	75,000	–
2011	67,660	–	6,089	–	–	–	73,749	–
M. Donnelly – Non-Executive Director								
2012	14,397	–	1,296	–	–	–	15,693	–
2011	–	–	–	–	–	–	–	–
M. Burgess – Managing Director (resigned 24 June 2011)								
2012	–	–	–	–	–	–	–	–
2011	428,234	100,000	15,199	–	(150,466)≠	–	392,967	25%
Executives								
A. McGill – Chief Executive Officer								
2012	421,422	–×	15,775	–	265,096	–	702,293	38%
2011	–	–	–	–	–	–	–	–
J. Ferragina – Treasury Group Ltd – Chief Financial Officer								
2012	284,225	121,000	15,775	–	74,227	21,865	517,092	38%
2011	284,801	150,000	15,199	–	26,943	–	476,943	37%
C. Feldmanis – Treasury Group Investment Services Ltd – Managing Director (resigned 17 August 2011)								
2012	112,532	–	15,775	–	–	–	128,307	–
2011	284,801	200,000	15,199	–	13,443	–	513,443	45%
R. Sullivan – Treasury Group Ltd – Head of Distribution (resigned 7 March 2012)								
2012	284,225	396,941*	15,775	–	–	–	681,166	58%
2011	284,801	442,443*	15,199	–	33,805	–	776,248	57%
Total remuneration: Key Management and Highest Paid Personnel								
2012	1,520,815	517,941	84,305	–	339,323	21,865	2,484,249	35%
2011	1,924,075	992,443	88,974	–	(76,275)	–	2,929,217	34%

Directors' Report cont.

REMUNERATION REPORT (AUDITED) CONT.

[1] Cash bonuses paid to Executives are performance-based with the exception of Mr Sullivan and paid every July in the following financial year. The table below shows the maximum potential bonus of each of the Executives:

	MAXIMUM POTENTIAL INCOME	
Executives	2012	2011
A. McGill	**450,000**	–
M. Burgess	–	450,000
J. Ferragina	**240,000**	240,000
C. Feldmanis	–	240,000

[2] Refer to Note 22 for the vesting conditions of options and performance rights granted to Executives.

[3] There were no termination payments paid during the year.

[≠] In the prior year, 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 recharge to share-based payment expense relating to prior period charges for these options during the prior year. This is not included in the determination of performance related ratio as per above.

[×] This year's cash bonus was waived by Mr McGill.

[*] Mr Sullivan earned 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 Ltd.

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:

	2012 $	2011 $	2010 $	2009 $	2008 $
Net profit after tax	**6,751,757**	10,005,104	11,676,131	4,945,543	17,244,317
Share price at start of year ($)	**3.96**	5.06	4.11	9.21	15.52
Share price at end of year ($)	**4.09**	3.96	5.06	4.11	9.21
Interim dividend (cps)	**14**	14	12	10	30
Final dividend (cps)	**20**	20	14	10	30
EPS	**29.3**	43.4	50.6	21.4	75.3
KMP bonuses ($)	**517,941**	992,443	1,421,527	560,384	858,650

During the year, Treasury Group Ltd issued 816,749 performance rights to executives and certain employees as part of their long term incentives. These performance rights were granted on 12 July 2011 and have a vesting date of 11 July 2014. The performance rights on issue were valued by RSM Bird Cameron using a hybrid monte-carlo/binomial option pricing model. The value of each right at issue was $1.64. Due to resignation or redundancy of employees, issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,109,868 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $351,109.

During the year ended 30 June 2012 no options (2011: 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 2012, 275,000 options (2011: 1,230,000) held by Key Management Personnel lapsed or were cancelled.

Remuneration options: Granted and vested during the year

During the year ended 30 June 2012, no options were granted as equity compensation benefits to certain Key Management Personnel (2011: nil). No options were issued to the non-executive members of the Board of Directors under this scheme.

REMUNERATION REPORT (AUDITED) CONT.

Options granted/forfeited as part of remuneration

2012	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 %
J. Ferragina	–	–	(115,450)	(115,450)	–
R. Sullivan	–	–	(144,312)	(144,312)	–

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)	–

Shares issued on exercise of remuneration options (Consolidated)

During the current financial year ended 30 June 2012 and the prior financial year ended 30 June 2011 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 22 to the financial report.

Remuneration long term incentives – performance rights granted and vested during the year

During the year ended 30 June 2012, Treasury Group Ltd issued 816,749 performance rights to Executives and certain employees as part of their long term incentives.

Long term incentives – performance rights granted/forfeited as part of remuneration

2012	Value of LTIs – performance rights granted during the year $	Value of LTIs – performance rights exercised during the year $	Value of LTIs – performance rights forfeited during the year $	Total LTIs – performance rights granted, exercised and lapsed during the year $	Remuneration consisting of LTIs-performance rights for the year %
A. McGill	820,000	–	–	–	–
J. Ferragina	229,600	–	–	–	–
R. Sullivan	229,600	–	(229,600)	(229,600)	–
Other employees	60,628	–	(23,808)	(23,808)	–

Shares issued on vesting of performance rights (Consolidated)

2012

During the year ended 30 June 2012, the Company did not issue any shares to the Key Management Personnel on the vesting of performance rights (2011: nil).

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

2012

During the year ended 30 June 2012, the Company issued no deferred shares during the year (2011: nil).

Directors' Report cont.

REMUNERATION REPORT (AUDITED) CONT.

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 pre-determined 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 Ltd 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 Ltd'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 Ltd'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.

As a long term incentive, Mr Ferragina was awarded 140,000 performance rights on 12 July 2011 with each right at the time of grant representing one Treasury Group Ltd share if it vests.

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
D. Cooper	5	5						
M. Fitzpatrick	11	11	4	4	2	2	2	2
P. Kennedy	11	10	4	4	2	2		
R. Hayes	11	11	4	4	2	2	2	2
M. Donnelly	4	4						

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	

Directors' Report cont.

TAX CONSOLIDATION
Effective 1 July 2003, for the purposes of income taxation, Treasury Group Ltd and its 100% owned 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 Ltd 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 auditor of Treasury Group Ltd. A copy of the declaration is set out on page 26.

Signed in accordance with a resolution of the Directors.

M. Fitzpatrick
Chairman
22 August 2012

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Treasury Group Limited
Level 14, 39 Martin Place
Sydney NSW 2000

22 August 2012

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 2012, 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
DELOITTE TOUCHE TOHMATSU

Stuart Alexander
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 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 Ltd'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 program 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 Board is made up entirely of Non-Executive Directors with a majority of independent directors as recommended by the ASX Principles. Mr Kennedy, Mr Hayes and Ms Donnelly 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.

The Board size is considered appropriate for the size of the Company's operations.

The Company's Chief Executive Officer is Mr Andrew McGill. He was appointed as 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 executives' 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

Corporate Governance Statement cont.

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 adviser, 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.

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, advisers 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 in 2011. 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 – 25%
- Senior executives – 0%
- Managers – 29%
- Employees – 80%

The representation of women across the organisation as a whole is 53%.

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 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 2011/12 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 CFO 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 online 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.

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 two 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 has 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 Performance Rights Plan, 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,

Corporate Governance Statement cont.

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, performance rights 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 Long Term Incentive Plan: Performance Rights, 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, performance rights and options issued under the plans are 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 2012

	Notes	CONSOLIDATED 2012 $	2011 $
REVENUES	5(a)	**3,944,594**	4,492,981
(Loss)/gains on investments	5(b)	**(69,756)**	61,944
Salaries and employee benefits expenses	5(c)	**(5,202,287)**	(5,741,261)
Other expenses	5(c)	**(3,741,651)**	(2,938,871)
Share of net profits of equity accounted investments	13(c)(iv)	**11,484,896**	14,014,687
PROFIT BEFORE INCOME TAX		**6,415,796**	9,889,480
Income tax benefit	7(c)	**338,432**	115,624
PROFIT FOR THE YEAR		**6,754,228**	10,005,104
ATTRIBUTABLE TO:			
NON-CONTROLLING INTEREST		**2,471**	–
MEMBERS OF THE PARENT	19(f)	**6,751,757**	10,005,104
Earnings per share (cents per share)			
• basic for profit for the year attributable to ordinary equity holders of the parent	24	**29.3**	43.4
• diluted for profit for the year attributable to ordinary equity holders of the parent	24	**29.3**	43.4
Franked dividends paid per share (cents per share) for the financial year	8	**34**	34

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED 2012 $	2011 $
PROFIT FOR THE YEAR	**6,754,228**	10,005,104
Other Comprehensive Income		
Reversal of previous revaluation of available-for-sale investments sold during the year	**(6,050)**	(420,298)
Net unrealised (losses)/gains on available-for-sale investments taken to equity	**(898,998)**	(2,545)
Income tax relating to components of other comprehensive income	**269,699**	764
Share of after-tax gain on available-for-sale investments of jointly controlled entities	**105,161**	11,090
Other comprehensive (loss) for the year (net of tax)	**(530,188)**	(410,989)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,224,040**	9,594,115
ATTRIBUTABLE TO:		
NON-CONTROLLING INTEREST	**2,471**	–
MEMBERS OF THE PARENT	**6,221,569**	9,594,115

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

Statement of Financial Position

AS AT 30 JUNE 2012

		CONSOLIDATED	
	Notes	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	9(a)	**8,194,805**	10,088,968
Trade and other receivables	10	**4,648,822**	6,590,789
Other assets		**692,175**	237,729
TOTAL CURRENT ASSETS		**13,535,802**	16,917,486
NON-CURRENT ASSETS			
Trade and other receivables	10	**891,713**	233,638
Available-for-sale investments	11	**9,514,834**	8,925,097
Loans and other receivables	12	**4,002,406**	5,086,720
Deferred tax assets	7(d)	**3,771,359**	2,861,454
Investments accounted for using the equity method	13	**29,697,032**	29,269,020
Plant and equipment	14	**91,712**	111,620
Intangibles	15	**34,357**	45,087
Goodwill		**583,888**	–
TOTAL NON-CURRENT ASSETS		**48,587,301**	46,532,636
TOTAL ASSETS		**62,123,103**	63,450,122
CURRENT LIABILITIES			
Trade and other payables	16	**2,823,671**	3,205,017
Provisions	17	**143,131**	295,889
TOTAL CURRENT LIABILITIES		**2,966,802**	3,500,906
NON-CURRENT LIABILITIES			
Provisions	17	**77,194**	132,433
Deferred tax liabilities	7(d)	**562,726**	631,493
Financial liability	18	**600,000**	–
TOTAL NON-CURRENT LIABILITIES		**1,239,920**	763,926
TOTAL LIABILITIES		**4,206,722**	4,264,832
NET ASSETS		**57,916,381**	59,185,290
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	19(a)	**29,594,265**	29,594,265
Reserves	19(g)	**2,530,961**	2,710,040
Retained profits	19(f)	**25,788,684**	26,880,985
Non-controlling interest		**2,471**	–
TOTAL EQUITY		**57,916,381**	59,185,290

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 2012

	CONSOLIDATED					
	Ordinary shares $	Share options reserve $	Net unrealised gains reserve $	Retained earnings $	Non-controlling interest $	Total $
AS AT 1 JULY 2011	**29,594,265**	**2,722,698**	**(12,658)**	**26,880,985**	**–**	**59,185,290**
Total comprehensive income for the year	–	–	(530,188)	6,751,757	2,471	6,224,040
Share-based payments	–	351,109	–	–	–	351,109
Consolidation of subsidiaries acquired during the year	–	–	–	–	–	–
Dividends paid	–	–		(7,844,058)	–	(7,844,058)
AT 30 JUNE 2012	**29,594,265**	**3,073,807**	**(542,846)**	**25,788,684**	**2,471**	**57,916,381**

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

	CONSOLIDATED				
	Ordinary shares $	Share options reserve $	Net unrealised gains reserve $	Retained earnings $	Total $
AS AT 1 JULY 2010	**29,594,265**	**2,798,973**	**398,331**	**23,335,695**	**56,127,264**
Total comprehensive income for the year	–	–	(410,989)	10,005,104	9,594,115
Share-based payments	–	(76,275)	–	–	(76,275)
Dividends paid	–	–	–	(6,459,814)	(6,459,814)
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 Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**5,278,541**	5,764,689
Payments to suppliers and employees		**(12,175,058)**	(11,353,612)
Dividends and distributions received		**12,750,418**	12,573,964
Interest received		**780,596**	817,905
Income tax refund		**96,381**	–
NET CASH FLOWS FROM OPERATING ACTIVITIES	9(b)	**6,730,878**	7,802,946
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(43,489)**	(30,178)
Purchase of intangible assets		**(10,133)**	(4,978)
Purchase of investment accounted for under the equity method		**(1,400,000)**	–
Purchase of available-for-sale investments		**(2,372,933)**	(4,147,311)
Proceeds from disposal of available-for-sale investments		**984,926**	395,439
Advance to jointly controlled entities		**(604,710)**	(100,000)
Repayment of loans by jointly controlled entities		**1,675,839**	1,683,677
Net cash acquired on acquisition of subsidiaries		**989,517**	–
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(780,983)**	(2,203,351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid on ordinary shares		**(7,844,058)**	(6,459,812)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(7,844,058)**	(6,459,812)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,894,163)**	(860,217)
Cash and cash equivalents at beginning of year		**10,088,968**	10,949,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	9(a)	**8,194,805**	10,088,968

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The financial report of Treasury Group Ltd (the 'Company' or the 'Group') for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 22 August 2012.

Treasury Group Ltd 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 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:

Amendments to AASB 7 'Financial Instruments: Disclosure'	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.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'1) 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.

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 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Standards and Interpretations adopted with no effect on financial statements

AASB 124 'Related Party Disclosures' (revised December 2009)	The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regard to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity. AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in Note 27 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

Notes to the Financial Statements cont.

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 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 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 January 2012	30 June 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 July 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) 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 services are provided.

Management fees

Management fees on asset management activities are accrued as services are provided.

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.

(d) Basis of consolidation

The consolidated financial statements comprise Treasury Group Ltd 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.

(e) 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.

(f) 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.

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 (2011: nil).

(g) 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.

(h) 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.

Notes to the Financial Statements cont.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(i) 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(h).

(j) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated [Statement of Comprehensive Income/Income Statement]. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Group's policy for goodwill arising on the acquisition of an associate is described at note (h).

(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:

	2012 and 2011	
Furniture and 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 of 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.

(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 nor 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 nor 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.

Notes to the Financial Statements cont.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(n) Income tax (cont.)

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 Ltd and its 100% owned entities have formed a tax consolidated group. Treasury Group Ltd 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 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.

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- 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 Plan, which provides the performance rights incentives to the Senior Executives and Managerial employees of Treasury Group Ltd 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 Ltd (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).

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 and performance rights are 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 Ltd and its subsidiaries are Australian dollars ($).

(ii) Transactions and 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 cont.

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	
	2012 $	2011 $
Financial Assets		
Cash at bank and on hand	**8,194,805**	10,088,968
	8,194,805	10,088,968

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 (using an average cash balance), with all other variables held constant, post tax profit and reserves would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)	
	2012 $	2011 $
Consolidated		
+0.75% [2011: 0.75%]/(75 basis points), [2011: 75 basis points]	**48,149**	40,238
-0.75% [2011: 0.75%]/(75 basis points), [2011: 75 basis points]	**(48,149)**	(40,238)

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 Ltd to its related parties, which are the only assets or liabilities exposed to fixed interest rate risk, are carried at amortised cost.

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 Ltd'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 Ltd 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 preceding year all of the Group's financial liabilities are due within six months or less.

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

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.

A simple analysis has been conducted to provide some perspective when considering the determination of a reasonably possible change.

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

	CONSOLIDATED	
	2012 $	2011 $
Available-for-sale investments		
— Shares in listed corporation	**3,180,669**	2,092,561
— Units in managed investment trusts	**5,470,257**	5,994,892
— Unlisted shares in other corporations	**1,100**	1,100
	8,652,026	8,088,553

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)	
	2012 $	2011 $
Consolidated		
ASX 200 +10%	**222,724**	146,556
ASX 200 -10%	**(222,724)**	(146,556)
MSCI World index +10%	**382,918**	419,642
MSCI World index -10%	**(382,918)**	(419,642)

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 2012, 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.

The Group does not have any significant transactional currency exposures.

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 to provide some perspective when considering the determination of a reasonably possible change.

The Group does not have any significant transactional currency exposures.

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

	CONSOLIDATED	
	2012 $	2011 $
Available-for-sale investments – US Dollar	**1,606,829**	1,849,191
Available-for-sale investments – British Pound	**862,808**	836,544
Other assets – Euro	**2,474**	2,706
	2,472,111	2,688,441

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:

Notes to the Financial Statements cont.

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

	EQUITY HIGHER/(LOWER) 2012 $	2011 $
Consolidated		
AUD/US $ +10%	**112,478**	129,443
AUD/US$ -10%	**(112,478)**	(129,443)
AUD/GBP +10%	**60,397**	58,558
AUD/GBP -10%	**(60,397)**	(58,558)

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 2012	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Investment in Premium Investors Limited*	3,180,669	–	–	**3,180,669**
TG TAAM Asia Ex Japan 1**	–	1,606,829	–	**1,606,829**
Investment in Aubrey Conviction Fund**	–	2,033,877	–	**2,033,877**
Investment in Ascot Cayman Fund**	–	838,522	–	**838,522**
Investment in Orion Sirius Fund**	–	991,029	–	**991,029**
Aubrey Capital Management convertible preference shares***	–	–	862,808	**862,808**
Others	–	1,100	–	**1,100**
Total	3,180,669	5,471,357	862,808	**9,514,834**

30 JUNE 2011	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
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

* Listed available-for-sale investment.
The fair value of these investments was derived from the quoted price available from ASX as of 30 June 2012.

** 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.

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 $89,549.

Reconciliation of Level 3 fair value measurements of financial assets

	30 JUNE 2012 AVAILABLE FOR SALE Convertible preference shares
Opening balance	**836,544**
Revaluation of convertible preference shares	**26,264**
Total	**862,808**

	30 JUNE 2011 AVAILABLE FOR SALE Convertible preference shares
Opening balance	985,749
Revaluation of convertible preference shares	(149,205)
Total	836,544

Notes to the Financial Statements cont.

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 judgments 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. Judgment 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.

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. Judgments are also required about the application of income tax legislation. These judgments 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 a hybrid monte-carlo/binomial option pricing model with the assumptions detailed in Note 22. 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 $4,002,406 (2011: $5,086,720). There was no impairment loss during the year (2011: nil).

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at 30 June 2012 was $583,888 (2011: nil). No impairment loss was recognised during 2012 (2011: nil).

5. REVENUE AND EXPENSES

	Note	CONSOLIDATED 2012 $	2011 $
(a) Revenues from continuing operations			
Fee income			
Fund management fees		**639,931**	327,815
Service fees			
— jointly controlled entities		**2,121,649**	2,768,743
— other		**323,389**	353,156
Total fee income		**3,084,969**	3,449,714
Dividends and distributions			
Dividends from other corporations		**116,573**	180,775
Unit trust distribution		**8,665**	15,262
Total dividends and distributions		**125,238**	196,037
Interest			
Related parties			
— jointly controlled entities		**358,932**	418,755
Other persons/corporations		**363,016**	428,475
Total interest		**721,948**	847,230
Other income			
Other income		**12,439**	–
Total revenues		**3,944,594**	4,492,981
(b) Gains/(losses) on investments			
Net (losses)/gains on disposal of available-for-sale investments		**(85,158)**	210,931
Impairment of equity investment in AR Capital		**(361,201)**	–
Net gain on purchase of a subsidiary	6(d)	**376,603**	–
Foreign exchange (loss) on investments		–	(148,987)
Total (losses)/gains on investments		**(69,756)**	61,944

Notes to the Financial Statements cont.

5. REVENUE AND EXPENSES (CONT.)

	Notes	CONSOLIDATED 2012 $	2011 $
(c) Expenses			
Salaries and employee benefits			
Salaries and employee benefits		**4,851,178**	5,753,070
Employee share plan expenses		**–**	64,466
Share-based payment (reversal)/expense arising from equity-settled share-based payment transactions		**351,109**	(76,275)
		5,202,287	5,741,261
Depreciation and amortisation			
Software	15(a)	**20,863**	27,649
Furniture and fittings	14(a)	**5,102**	7,966
Office equipment	14(a)	**29,177**	26,223
Leasehold improvements	14(a)	**2,130**	4,293
Total depreciation and amortisation of non-current assets		**57,272**	66,131
Other expenses			
Accounting and audit fees		**194,473**	226,516
Operating lease rental – minimum lease payments		**783,616**	360,795
Marketing and communication expenses		**203,697**	198,610
Travel and accommodation costs		**206,365**	341,225
Payroll tax		**315,767**	257,079
Legal and compliance fees		**217,854**	204,946
Consulting fee and IT charges		**680,722**	447,864
Insurance charges		**233,049**	214,096
Directors' fees (non-executives)		**403,110**	358,271
Share registry and ASX fees		**79,204**	92,670
Subscriptions and training expenses		**19,038**	62,771
Fund administration expenses		**42,350**	–
Other expenses		**305,134**	107,897
		3,684,379	2,872,740
Total other expenses		**3,741,651**	2,938,871

6. ACQUISITION OF SUBSIDIARIES

On 14 December 2011, Treasury Group Ltd acquired a further 47.5% equity interest in Global Value Investors Ltd from Investors Mutual Ltd, effectively increasing the Group's direct ownership from 25% to 72.5%. On 23 May 2012, as a consequence of the terms of the shareholders agreement relating to the ability of TRG to acquire minority interests, Treasury Group Ltd acquired the remaining minority interests increasing the direct ownership to 100%. Accordingly, Treasury Group Ltd has gained full control of Global Value Investors Ltd.

On 11 May 2012, Treasury Group Ltd increased its ownership by an additional 61.5% equity interest in AR Capital Management Pty Ltd through a selective share buyback offered to existing shareholders of the company. As a consequence, Treasury Group Ltd effectively increased ownership to 91.5% of the issued capital of AR Capital Management Pty Ltd via which Treasury Group Ltd has gained control of the company.

The consideration transferred and the related gain/goodwill on the purchase/acquisition are as follows:

			CONSOLIDATED 2012 $
	Global Value Investors Ltd acquisition $	AR Capital Management Pty Ltd acquisition $	**Total $**
(a) Consideration transferred			
Cash and cash equivalents	843,000	–	**843,000**
(b) Assets acquired and liabilities assumed at the date of acquisition			
Current assets			
Cash and cash equivalents	1,742,625	89,892	**1,832,517**
Trade receivables[1]	349,638	51,487	**401,125**
Other assets	242,502	17,438	**259,940**
Deferred tax assets	484,004	–	**484,004**
Current liabilities			
Trade and other payables	1,058,305	123,570	**1,181,875**
	1,760,464	35,247	**1,795,711**

[1] Trade receivables acquired with a fair value of $349,638 and $51,487 which is equivalent to the gross contractual due to Global Value Investors Ltd and AR Capital Management Pty Ltd respectively.

(c) Gain from purchase of subsidiary			
Consideration transferred	493,000	–	**493,000**
Plus: Payable for acquisition of non-controlling interest (at fair value)	350,000	–	**350,000**
Plus: Fair value of previously held equity interest	259,474	619,135	**878,609**
Less: Fair value of identifiable net assets acquired	1,760,464	35,247	**1,795,711**
Gain/(goodwill) from purchase	657,990	(583,888)	**74,102**

Notes to the Financial Statements cont.

6. ACQUISITION OF SUBSIDIARIES (CONT.)

The acquisition of a further 47.50% interest in Global Value Investors Ltd resulted in a gain from purchase, being the excess of the net fair value of the identifiable assets acquired and liabilities assumed over the aggregate of the consideration transferred, fair value for the acquired minority interests and the fair value of any previously-held equity interest in Global Value Investors Ltd.

The acquisition of a further 61.5% interest in AR Capital Management Pty Ltd resulted in a goodwill from acquisition being the excess of the net fair value of the identifiable assets acquired and liabilities assumed over the aggregate of the consideration transferred, fair value for the acquired minority interests and the fair value of any previously-held equity interest in AR Capital Management Pty Ltd.

The equity interest previously held by Treasury Group Ltd in Global Value Investors Ltd and AR Capital Management Pty Ltd, which qualified as an equity accounted investment, is treated as if it were disposed of and reacquired at fair value on the acquisition date. It is remeasured to its acquisition-date fair value and compared against the carrying amount of the equity accounted investment. Accordingly, the loss on disposal of the equity accounted investment in Global Value Investors Ltd is $281,387. The acquisition of AR Capital Management Pty Ltd resulted in an impairment charge of $361,201 and goodwill amounting to $583,888.

	Global Value Investors Ltd acquisition $	AR Capital Management Pty Ltd acquisition $
(d) Net gain/(goodwill) from purchase/acquisition of subsidiary		
Gain/(goodwill) from purchase/acquisition of a subsidiary	657,990	(583,888)
Loss on disposal of equity accounted investment	(281,387)	–
	376,603	(583,888)
(e) Net cash inflow arising on acquisition		
Consideration paid in cash	(843,000)	–
Add: cash and cash equivalents balances acquired	1,742,625	89,892
	899,625	89,892

(f) Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of $1,070,246 attributable to Global Value Investors Ltd (including any indirect interest of TRG through its interest in IML during the period) and a loss of $61,898 for AR Capital Management Pty Ltd. Had the acquisition of Global Value Investors Ltd and AR Capital Management Pty Ltd been effected at 1 July 2011, the revenue of the Group for the year ended 30 June 2012 would have been $6,776,095 and the profit for the year would have been $5,919,923. The Directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a yearly basis and to provide a reference point for comparison in future periods.

Notes to the Financial Statements cont.

7. INCOME TAX

	CONSOLIDATED 2012 $	2011 $
(a) Income tax benefit		
The major components of income tax benefit are:		
Income Statement		
Current income tax		
Current income tax benefit	**804,872**	1,139,464
Adjustments in respect of current income tax charge of previous years	**(126,675)**	(50,486)
Deferred income tax		
Relating to origination and reversal of temporary differences	**207,397**	109,675
Tax adjustments as a result of tax benefits arising from tax losses not recognised	**(547,162)**	(1,083,029)
Income tax benefit reported in the Income Statement	**338,432**	115,624
(b) Amounts charged directly to other comprehensive income		
Deferred income tax related to income charged or credited directly to other comprehensive income		
Unrealised loss on available-for-sale investments	**269,699**	764
Income tax benefit reported in other comprehensive income	**269,699**	764
(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:	**6,415,796**	9,889,480
At the Group's statutory income tax rate of 30% (2011: 30%)	**(1,924,739)**	(2,966,844)
Share-based payments	**(105,333)**	22,883
Share in net profit of jointly controlled entities	**3,445,469**	4,204,406
Expenditure not allowable for income tax purposes	**(11,094)**	(11,306)
Adjustments in respect of current income tax charge of previous years	**(126,675)**	(50,486)
Income tax expenses relating to acquired subsidiaries	**(392,034)**	–
Tax adjustments as a result of tax benefits arising from tax losses not recognised	**(547,162)**	(1,083,029)
Aggregate income tax benefit	**338,432**	115,624

Notes to the Financial Statements cont.

7. INCOME TAX (CONT.)

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT	
	2012 $	2011 $	**2012 $**	2011 $
(d) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax assets				
Tax losses	**2,511,508**	2,511,508	**–**	–
Tax losses of acquired subsidiary	**426,111**	–	**–**	–
Revaluation of available-for-sale investments at fair value	**473,867**	83,685	**108,360**	–
Accruals and provisions	**359,873**	266,261	**93,612**	106,602
	3,771,359	2,861,454		
Deferred tax liabilities				
Revaluation of convertible notes to fair value	**(551,230)**	(551,230)	**–**	–
Revaluation of available-for-sale investments at fair value charged to equity	**(10,163)**	(73,505)	**–**	–
Receivables	**(1,333)**	(6,758)	**5,425**	3,073
	562,726	(631,493)	**207,397**	109,675

Tax losses arising from results of operations have been capped to a level that is expected that the tax losses can be utilised in a reasonable timeframe. 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 $2,385,148 (2011: $1,837,986).

(e) Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Ltd and its 100% owned entities have formed a tax consolidated group. Treasury Group Ltd 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 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 Ltd. 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 cont.

8. DIVIDENDS PAID AND PROPOSED

	TREASURY GROUP LTD 2012 $	TREASURY GROUP LTD 2011 $
(a) Dividends proposed and not recognised as a liability*		
Final fully franked dividend 20 cents per share (2011: 20 cents per share)	**4,614,151**	4,614,151
(b) Dividends paid during the year		
Current year interim		
Fully franked dividend (14 cents per share) (2011: 14 cents per share)	**3,229,907**	3,229,907
Previous year final		
Fully franked dividend (20 cents per share) (2011: 14 cents per share)	**4,614,151**	3,229,907
Total paid during the year (34 cents per share) (2011: 28 cents per share)	**7,844,058**	6,459,814
(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% (2011: 30%)	**10,504,346**	8,653,971
— franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	**898,199**	1,049,338
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)**	(1,977,493)
Franking credits carried forward after payment of final dividend	**9,425,052**	7,725,816

* Calculation based on the ordinary shares on issue as at 31 July 2012.

The tax rate at which paid dividends have been franked is 30% (2011: 30%).
Dividends proposed will be franked at the rate of 30% (2011: 30%).

Notes to the Financial Statements cont.

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2012 $	2011 $
(a) Reconciliation of cash and cash equivalents		
Cash balance comprises:		
— cash at bank and on hand	**8,194,805**	10,088,968
Closing cash balance	**8,194,805**	10,088,968
(b) Reconciliation		
Profit for the year	**6,754,228**	10,005,104
Adjustments for		
Share of jointly controlled entities' net profits	**(11,484,896)**	(14,014,687)
Dividend and distributions received from jointly controlled entities	**11,589,758**	12,417,263
Impairment of equity investment in AR Capital Management Pty Ltd	**361,201**	–
Net gain on purchase of subsidiary	**(376,603)**	–
Loss/(gain) on disposal of available-for-sale investment	**85,158**	(210,931)
Depreciation and amortisation of non-current assets	**57,272**	66,131
Loss on disposal of fixed assets	**53,552**	–
Non-cash distributions and dividends	**(125,238)**	(196,037)
Non-cash interest	**13,135**	(86,451)
Share-based payments	**351,109**	(76,275)
Foreign exchange loss	**20,442**	162,441
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	**1,941,967**	2,628,058
(Increase) in other assets	**(958,304)**	(34,289)
(Increase) in deferred tax assets	**(909,905)**	(79,064)
(Increase) in goodwill	**(583,888)**	–
(Decrease) in trade and other payables	**(381,346)**	(2,923,953)
(Decrease) in current provisions	**(152,758)**	(38,879)
(Decrease)/Increase in non-current provisions	**(55,239)**	114,083
Increase in financial liability	**600,000**	–
(Decrease)/Increase in deferred tax liability	**(68,767)**	70,432
Net cash flow from operating activities	**6,730,878**	7,802,946

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

10. TRADE AND OTHER RECEIVABLES

			CONSOLIDATED 2012 $	2011 $
		Note		
Current				
Trade receivables			**1,451,389**	2,115,250
Sundry receivables			**4,443**	22,528
Other receivables			**341,612**	534,581
Related party receivables				
— Jointly controlled entities	— Dividend	26	**2,095,797**	2,448,456
	— Distribution	26	**–**	768,000
	— Other		**704,273**	653,344
— Other related parties			**51,308**	48,630
			4,648,822	6,590,789

(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* $
2012	**4,648,822**	**4,380,325**	**51,741**	**44,776**	**171,980**
2011	6,590,789	6,310,375	5,890	13,015	261,509

* Past due not impaired (PDNI).

Receivables past due but not impaired is $268,497 (2011: $280,414). All overdue amounts as at 30 June 2011 have been received in full. Payment terms on these amounts have been renegotiated. 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 27.

(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.

	CONSOLIDATED 2012 $	2011 $
Non-current		
Security deposits	**891,713**	233,638
	891,713	233,638

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

Notes to the Financial Statements cont.

11. AVAILABLE-FOR-SALE INVESTMENTS

	CONSOLIDATED 2012 $	2011 $
Non-current		
— Investment in Premium Investors Ltd listed shares	**3,180,669**	2,092,561
— TG TAAM Asia Ex Japan 1*	**1,606,829**	1,849,191
— Investment in Global Industrial Share Fund – Unhedged*	–	1,000,772
— Investment in Aubrey Conviction Fund*	**2,033,877**	2,148,229
— Investment in Ascot Cayman Fund*	**838,522**	996,700
— Investment in Orion Sirius Fund*	**991,029**	–
— Aubrey Capital Management convertible preference shares**	**862,808**	836,544
— Unlisted shares in other corporations	**1,100**	1,100
	9,514,834	8,925,097

* 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.

12. LOANS AND OTHER RECEIVABLES (NON-CURRENT)

	Note	CONSOLIDATED 2012 $	2011 $
Loans receivables due from:			
Jointly controlled entities	27	**4,002,406**	5,086,720
		4,002,406	5,086,720

All amounts are receivable in Australian Dollars and loans to jointly controlled entities are not considered past due or impaired.

(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%.

Notes to the Financial Statements cont.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	CONSOLIDATED 2012 $	2011 $
Investments in jointly controlled entities	13(a)	**29,697,032**	29,269,020
		29,697,032	29,269,020

(a) Interests in jointly controlled entities

Name	Balance date	OWNERSHIP INTEREST HELD BY CONSOLIDATED ENTITY 2012 %	2011 %
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
Treasury Asia Asset Management Ltd – ordinary shares	30 June	**43.96**	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
Evergreen Capital Partners Pty Ltd	30 June	**30.00**	–
Aubrey Capital Management Ltd	30 June	–	–

* During the year, Global Value Investors Ltd and AR Capital Management Pty Ltd became subsidiaries of the Group due to increases in equity holdings in these companies.

(b) Principal activity

(a) Investors Mutual Ltd 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) Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific Region.

(d) RARE Group (RARE Infrastructure Ltd, RARE IP Trust, RARE North America and RARE Infrastructure Sovereign Enterprise) is a funds management business specialising in listed global infrastructure assets.

(e) IML Investment Partners Limited provides investment sub-advisory services to Investors Mutual Ltd.

(f) Celeste Funds Management Ltd is an Australian equity manager with a smaller companies focus.

(g) Evergreen Capital Partners Pty Ltd is an Australian equity absolute return manager which focuses on management of ASX listed equities via an absolute return style.

(h) Aubrey Capital Management Ltd is a global growth equity thematic manager based in Edinburgh, Scotland. Treasury Group Ltd 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 cont.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

	CONSOLIDATED 2012 $	2011 $
(c) Additional disclosures		
(i) Carrying amount of investments accounted for using the equity method		
Balance at the beginning of the year	**29,269,020**	27,833,141
— trust distribution received from jointly controlled entities for prior years	**(3,735,854)**	(4,109,675)
— share of jointly controlled entities' net profits for the financial year	**11,484,896**	14,014,687
— share of unrealised (loss)/gains reserve of jointly controlled entities	**94,071**	(161,545)
— acquisition of jointly controlled entity	**2,000,000**	–
— disposal of jointly controlled entities	**(1,521,197)**	–
— dividends received from jointly controlled entities	**(7,893,904)**	(8,307,588)
Balance at the end of the year	**29,697,032**	**29,269,020**
(ii) Share of jointly controlled entities' balance sheet		
Current assets	**25,970,702**	25,107,325
Non-current assets	**1,687,365**	4,935,620
Current liabilities	**(12,013,188)**	(12,398,125)
Non-current liabilities	**(2,422,330)**	(2,094,384)
Net assets	**13,222,549**	15,550,436
(iii) Share of jointly controlled entities' revenues		
Revenues	**30,200,085**	33,889,708
(iv) Share of jointly controlled entities' net income		
Profit before income tax	**16,406,994**	20,020,981
Income tax expense	**(4,922,098)**	(6,006,294)
Profit after income tax	**11,484,896**	14,014,687

During the year, Treasury Group Ltd acquired additional equity shares in Global Value Investors which increases the direct ownership to 100%.

During the year, Treasury Group Ltd increased its ownership by an additional 61.5% equity interest in AR Capital Management Pty Ltd through a selective share buyback offered to existing shareholders of the company. As a consequence, Treasury Group Ltd owns 91.5% of the issued capital of AR Capital Management Pty Ltd via which Treasury Group Ltd has gained control of the company.

The equity interest previously held by Treasury Group Ltd in these two companies which qualified as an equity accounted investment is treated as if it were disposed of and reacquired at fair value on the acquisition date. It is remeasured to its acquisition-date fair value and compared against the carrying amount of the equity accounted investment.

Notes to the Financial Statements cont.

14. PLANT AND EQUIPMENT

	Notes	CONSOLIDATED 2012 $	2011 $
Furniture and fittings			
At cost		**12,082**	84,810
Accumulated depreciation		**(1,214)**	(44,686)
	14(a)	**10,868**	40,124
Office equipment			
At cost		**415,123**	407,574
Accumulated depreciation		**(340,042)**	(312,739)
	14(a)	**75,081**	94,835
Leasehold improvements			
At cost		**5,962**	24,563
Accumulated depreciation		**(199)**	(18,124)
	14(a)	**5,763**	6,439
Total		**91,712**	111,620

(a) Reconciliations

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

	2012 $	2011 $
Furniture and fittings		
Opening balance	**40,124**	42,963
Additions	**9,898**	5,127
Depreciation expense	**(5,102)**	(7,966)
Disposal	**(34,052)**	–
Closing balance	**10,868**	40,124
Office equipment		
Opening balance	**94,835**	96,007
Additions	**27,629**	25,051
Depreciation expense	**(29,177)**	(26,223)
Disposal	**(18,206)**	–
Closing balance	**75,081**	94,835
Leasehold improvements		
Opening balance	**6,439**	10,732
Additions	**5,962**	
Depreciation expense	**(2,130)**	(4,293)
Disposal	**(4,508)**	–
Closing balance	**5,763**	6,439

Notes to the Financial Statements cont.

15. INTANGIBLES

	Note	CONSOLIDATED 2012 $	2011 $
Software			
At cost		**121,779**	111,647
Accumulated amortisation		**(87,422)**	(66,560)
	15(a)	**34,357**	45,087

(a) Reconciliations

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

	CONSOLIDATED 2012 $	2011 $
Software		
Opening balance	**45,087**	67,758
Additions	**10,133**	4,978
Amortisation expense	**(20,863)**	(27,649)
Closing balance	**34,357**	45,087

16. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED 2012 $	2011 $
Trade payables	**395,927**	381,044
Other payables	**1,154,582**	1,067,184
Related party payables:		
— jointly controlled entities	**1,273,162**	1,756,789
	2,823,671	3,205,017

(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 27.

(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 cont.

17. EMPLOYEE PROVISIONS

	CONSOLIDATED 2012 $	2011 $
Current		
Provision for annual leave, beginning balance	**295,889**	334,768
Provisions during the year	**133,503**	98,630
Annual leave taken	**(286,261)**	(137,509)
Provision for annual leave, closing balance	**143,131**	295,889
Non-current		
Provision for long service leave, beginning balance	**132,433**	18,350
Provisions during the year	**91,524**	260,582
Long service leave taken	**(146,763)**	(146,499)
Provision for long service leave, closing balance	**77,194**	132,433

18. FINANCIAL LIABILITY

	2012	2011
18. FINANCIAL LIABILITY	**600,000**	–

On 25 May 2012, Treasury Group Ltd acquired a 30% equity ownership in Evergreen Capital Partners Pty Ltd for an upfront payment of $1,400,000 plus a deferred amount of $600,000 contingent upon the achievement by Evergreen of business performance hurdles prior to 30 June 2014.

19. CONTRIBUTED EQUITY AND RESERVES

	2012	2011
(a) Ordinary shares		
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 LTD 2012 Number of shares	$	2011 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

(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 periodically reviews the capital structure to take advantage of favourable costs of capital or high returns on assets.

During the year ended 30 June 2012, management paid dividends of $7,844,058 (2011: $6,459,814). The Directors anticipate maintaining a dividend payout ratio over a medium-term period of at least 60-80% of underlying profit in a normal year subject to future acquisitions.

The Group does not have any external borrowings.

Notes to the Financial Statements cont.

19. CONTRIBUTED EQUITY AND RESERVES (CONT.)

(d) Share options

Options over ordinary shares:

During the financial year, no options were issued over ordinary shares (2011: nil).

At the end of the year there were no unissued ordinary shares (2011: 275,000) in respect of which no options (2011: 275,000) were outstanding to employees of the Group and jointly controlled entities. The options had a weighted average exercise price of nil (2011: $12.07).

(e) Long term incentives – performance rights

During the year, Treasury Group Ltd issued 816,749 performance rights to executives and certain employees as part of their long term incentives. These performance rights were granted on 12 July 2011 and have a vesting date of 11 July 2014. The performance rights on issue were valued by RSM Bird Cameron using a hybrid monte-carlo/binomial option pricing model. The value of each right at issue was $1.64. Due to resignation or redundancy of employees, 154,517 issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,109,868 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $351,109.

At the end of the year, there were no unissued ordinary shares in respect of which no performance rights were outstanding to employees of the Group.

	CONSOLIDATED 2012 $	2011 $
(f) Retained profits		
Balance at the beginning of the year	**26,880,985**	23,335,693
Profit for the year	**6,751,757**	10,005,104
Dividends	**(7,844,058)**	(6,459,812)
Balance at end of year	**25,788,684**	26,880,985

	CONSOLIDATED 2012 $	2011 $
(g) Reserves		
Net unrealised gains reserve		
Balance at the beginning of the year	**(12,658)**	398,331
Reversal of previous revaluation of available-for-sale investments sold during the year	**(6,050)**	(420,298)
Net unrealised gains/(losses) on available-for-sale investments	**(898,998)**	(2,545)
Income tax relating to components of other comprehensive income	**269,699**	764
Share of after-tax gain on available-for-sale investments of jointly controlled entities	**105,161**	11,090
Balance at end of year	**(542,846)**	(12,658)
Share options reserve		
Balance at the beginning of year	**2,722,698**	2,798,973
Share-based payments, net of reversal	**351,109**	(89,718)
Share-based payments recharged to related parties	**–**	13,443
Balance at end of year	**3,073,807**	2,722,698
Total reserves	**2,530,961**	2,710,040

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 22 for further details of these plans.

Notes to the Financial Statements cont.

20. 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 2012 $	CONSOLIDATED 2011 $
Segment profit/(loss) after tax for the year		
— Outsourcing and responsible entity services	**313,976**	485,307
— Australian equities	**6,663,441**	9,208,147
— International equities	**(244,619)**	447,480
— Alternative investments	**5,066,073**	4,359,060
	11,798,871	14,499,994
— Central administration costs and Directors' salaries*	**(5,044,643)**	(4,494,890)
Total per income statement	**6,754,228**	10,005,104

* Includes costs related to the restructure of the GVI and AR Capital businesses. Refer to Directors' Report for abnormal items in relation to restructure of these businesses.

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

No individual customer represents more than 10% of revenue for Treasury Group Ltd and its jointly controlled entities. International equities in the above table includes Global Value Investors Ltd.

21. 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 terms of four years as at 30 June 2012. 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 2012 $	CONSOLIDATED 2011 $
Future minimum rentals:		
Minimum lease payments		
— not later than one year	**572,434**	205,789
— later than one year and not later than five years	**2,005,993**	–
Aggregate lease expenditure contracted for at reporting date	**2,578,427**	205,789
Amounts not provided for:		
— rental commitments	**2,578,427**	205,789
Total not provided for	**2,578,427**	205,789
Aggregate lease expenditure contracted for at reporting date	**2,578,427**	205,789

Notes to the Financial Statements cont.

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Officer and Executive Option Plan

An Officer and Executive Option Plan has been established where Treasury Group Ltd may, at the discretion of the Board of Directors, grant options over the ordinary shares of Treasury Group Ltd 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 Ltd, although the Board of Treasury Group Ltd retains the final discretion on the issue of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The options 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 expense recognised in the Income Statement in relation to this share-based payment plan is $nil (2011: positive expense reversal of $76,275).

The weighted average exercise price of options granted during the year was $nil for the consolidated entity (2011: nil).

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	**275,000**	**$12.07**	1,505,000	$11.85
— lapsed during the year^	**(275,000)**	**($12.07)**	(1,230,000)	$12.27
Outstanding at the end of the year	–	–	275,000	$12.07
Exercisable at the end of the year	–	–	275,000	$12.07

^ During the year ended 30 June 2012, 275,000 options lapsed held by certain key management personnel (2011: 1,230,000).

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:

	2012	2011
— 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.

Performance rights

A Long Term Incentive Plan has been established where Treasury Group Ltd, at the discretion of the Board of Directors, awards performance rights to Directors, executives and certain members of staff of the Group. Each performance right at the time of grant represents one Treasury Group Ltd share if it vests.

During the period, Treasury Group Ltd issued 816,749 performance rights to executives and certain employees as part of their long term incentives. These performance rights were granted on 12 July 2011 and have a vesting date of 11 July 2014. The performance rights on issue were valued by RSM Bird Cameron using a hybrid monte-carlo/binomial option pricing model. The value of each right at issue was $1.64. Due to Mr Sullivan giving notice of resignation, his 140,000 issued performance rights have lapsed and have been terminated. Total value of the remaining performance rights is $1,109,868 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $351,109.

Employee Share Plan

The Employee Share Plan has been established whereby Treasury Group Ltd, at the discretion of the Board of Directors, provides the opportunity to employees and Directors to purchase shares in Treasury Group Ltd 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 two and 10 years. Employees have to be employed by the consolidated group while taking part in the plan. There are 20 employees eligible to participate in the plan. Shares acquired under the Employee Share Plan vest immediately. During the year, 4,291 (2011: 18,065) shares were purchased under the plan at a weighted average cost of $4.11 (2011: $4.85). The balance as at 30 June 2012 was 45,736 shares (2011: 84,117). During the year, 4,291 shares were vested (2011: 36,256) and 42,672 shares were sold (2011: 23,746). The weighted average cost of all shares is $7.72 (2011: $5.30) per share.

23. SUBSEQUENT EVENTS

On 10 July 2012, Treasury Group Ltd acquired 20% equity ownership in Octis Asset Management Pte Ltd with an option to increase it by further 10% if certain hurdles linked to new fund flows are satisfied. Octis is an Asia multi strategy equity manager based in Singapore. Cost of the initial 20% acquisition was $225,395.

On 22 August 2012, the Board of Premium Investors Limited (PRV) resolved to undertake an off market buyback of up to 75% of the ordinary shares on issue subject to approval by PRV shareholders. This is likely to have an effect on the results of the Group in the coming financial year, the extent of which is yet to be determined as the outcomes of this process are yet to occur.

On 22 August 2012, the Directors of Treasury Group Ltd declared a final dividend on ordinary shares in respect of the 2012 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 2012 financial statements.

24. EARNINGS PER SHARE

	CONSOLIDATED	
	2012 **$**	2011 $
Net profit attributable to ordinary equity holders of the parent	**6,751,757**	10,005,104
	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 and performance rights	**–**	–
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	**29.3**	43.4
diluted for profit for the year attributable to ordinary equity holders of the parent	**29.3**	43.4

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. Performance rights do not have a diluted effect on the earnings per share calculation as the potential vesting conditions of these rights have not been met as at 30 June 2012.

Notes to the Financial Statements cont.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

M. Fitzpatrick	Chairman (Non-Executive)
D. Cooper	Director (Non-Executive) (resigned 14 December 2011)
P. Kennedy	Director (Non-Executive)
R. Hayes	Director (Non-Executive)
M. Donnelly	Director (Non-Executive) (commenced 28 March 2012)

(ii) Executives

A. McGill	Chief Executive Officer
J. Ferragina	Chief Financial Officer
C. Feldmanis	Managing Director – Treasury Group Investment Services Limited (resigned 17 August 2011)
R. Sullivan	Head of Distribution, (resigned 7 March 2012)

(b) Compensation for Key Management Personnel

	CONSOLIDATED	
	2012 $	2011 $
Short-term	**2,060,621**	2,916,018
Post employment	**84,305**	88,974
Share-based payments	**339,323**	(76,275)
Total remuneration	**2,484,249**	2,929,217

(c) Option holdings of Key Management Personnel

30 June 2012	Balance at 1 July 2011	Granted as remuneration	Options exercised	Options lapsed	Balance at 30 June 2012	Total vested and exercisable at 30 June 2012*
Directors						
M. Fitzpatrick	–	–	–	–	–	–
D. Cooper	–	–	–	–	–	–
P. Kennedy	–	–	–	–	–	–
R. Hayes	–	–	–	–	–	–
M. Donnelly	–	–	–	–	–	–
Executives						
J. Ferragina	100,000	–	–	(100,000)	–	–
C. Feldmanis	50,000	–	–	(50,000)	–	–
R. Sullivan	125,000	–	–	(125,000)	–	–
Total	275,000	–	–	(275,000)	–	–

* Options are exercisable once vested.

25. 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

* Options are exercisable once vested.

(d) Performance rights holdings of Key Management Personnel

30 June 2012	Balance at 1 July 2010	Granted as remuneration	Options exercised	Options lapsed	Balance at 30 June 2011	Total vested and exercisable at 30 June 2012*
Directors						
M. Fitzpatrick	–	–	–	–	–	–
D. Cooper	–	–	–	–	–	–
P. Kennedy	–	–	–	–	–	–
R. Hayes	–	–	–	–	–	–
M. Donnelly	–	–	–	–	–	–
Executives						
A. McGill	–	500,000	–	–	500,000	500,000
J. Ferragina	–	140,000	–	–	140,000	140,000
R. Sullivan	–	140,000	–	(140,000)	–	–
Total	–	780,000	–	(140,000)	640,000	640,000

* Performance rights are exercisable once vested.

Notes to the Financial Statements cont.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(e) Share holdings of Key Management Personnel

Ordinary shares held in Treasury Group Ltd

30 June 2012[1]	Balance 1 July 2011	Granted as remuneration	On exercise of options	Net change other[#]	Balance 30 June 2012
Directors					
M. Fitzpatrick	2,701,285	–	–	–	2,701,285
P. Kennedy	181,200	–	–	30,000	211,200
R. Hayes	–	–	–	–	–
M. Donnelly	–	–	–	–	–
Executives					
A.McGill	–	–	–	50,000	50,000
J. Ferragina	16,237	–	–	6,167	22,404
Total	2,898,722	–	–	86,167	2,984,889

Ordinary shares held in Treasury Group Ltd

30 June 2011	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	–	–	27,500	3,576,589

1 The share holdings by D. Cooper, C. Feldmanis and R. Sullivan are not included in this table.

In the above table, net change other is comprised of shares in Treasury Group Ltd 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.

(f) Transactions with Director-related entity

Details of the transactions with Director-related entities are set out in Note 27. All transactions were conducted on commercial terms.

(g) Loans to key management employees

No loans have been advanced to key management employees at any stage during the financial year ended 30 June 2012 (2011: $nil).

Notes to the Financial Statements cont.

26. AUDITOR'S REMUNERATION

	CONSOLIDATED 2012 $	2011 $
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	**184,500**	163,000
— non-audit services to the entity and any other entity in the consolidated group	**91,545**	99,450
	276,045	262,450

27. RELATED PARTY DISCLOSURES

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

	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY 2012	2011
Companies		
Treasury Capital Management Pty Ltd	**100**	100
Treasury Group Investment Services Limited	**100**	100
Treasury Group Nominees Pty Ltd	**100**	100
Global Value Investors Ltd*	**100**	25
Treasury Evergreen Pty Limited	**100**	–
AR Capital Management Pty Ltd	**91.5**	30

* This direct ownership in Global Value Investors Ltd for the 2011 prior year comparative did not include the indirect 22.56% interest that Treasury Group Ltd held through interest in IML during the 2011 year.

All subsidiaries are incorporated in Australia.

Transactions with related parties

Service fees

During the year, Treasury Group Ltd and its wholly-owned 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 Ltd 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 Ltd did not provide any additional loans to jointly controlled entities (2011: $100,000) and $1,675,839 (2011: $1,683,677) in repayments were received, repaying the outstanding loan. Capitalised interest to jointly controlled entities during the year was nil (2011: $36,014). 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 (2011: nil). Payables at the reporting date are disclosed in Note 16 to the financial report.

Notes to the Financial Statements cont.

28. PARENT ENTITY DISCLOSURE

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

(i) Financial performance

	2012 $	2011 $
Profit for the year	**6,916,885**	8,722,372
Other comprehensive income for the year (net of tax)	**(624,257)**	(1,781)
Total comprehensive income	**6,292,628**	8,720,591
(ii) Financial position		
Assets		
Current assets	**5,473,118**	9,006,242
Non-current assets	**41,055,259**	38,782,727
Total assets	**46,528,377**	47,788,969
Liabilities		
Current liabilities	**688,911**	653,742
Non-current liabilities	**600,091**	688,918
Total liabilities	**1,289,002**	1,342,660
Equity		
Issued capital	**29,594,265**	29,594,265
Retained earnings	**13,219,310**	14,153,096
Reserves		
Share options	**3,073,807**	2,722,698
Net unrealised (losses)/gains reserve	**(648,007)**	(23,750)
Total equity	**45,239,375**	46,446,309

Directors' Declaration

In accordance with a resolution of the Directors of Treasury Group Ltd, 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 2012 and of its performance for the year ended on that date;
  - (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 2012.

On behalf of the Board

M. Fitzpatrick
Chairman

22 August 2012

Independent Audit Report

Deloitte.

Deloitte Touche Tohmatsu
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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 ('the company'), which comprises the statement of financial position as at 30 June 2012, 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 as set out in pages 25 to 73.

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.

Independent Audit Report cont.

Deloitte

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 2012 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 22 August 2012

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

(a) Distribution of equity securities (as at 31 July 2012)
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	1,047	627,114
1,001 – 5,000	1,066	2,699,728
5,001 – 10,000	212	1,548,982
10,001 – 100,000	146	3,942,481
100,001 and over	20	14,252,450
	2,491	23,070,755
The number of shareholders holding less than a marketable parcel of shares are:	76	3,935

(b) Twenty largest shareholders (as at 31 July 2012)
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	2,182,951	9.46
3	Citicorp Nominees Pty Ltd	1,731,341	7.50
4	Kattag Holdings Pty Ltd	1,150,000	4.98
5	Aust Executor Trustees NSW Ltd	1,102,186	4.78
6	UBS Wealth Management Australia Nominees Pty Ltd	1,077,598	4.67
7	Mr Timothy Gerard Ryan	840,000	3.64
8	DSBH Pty Ltd	633,000	2.74
9	Perpetual Trustee Company Ltd	613,437	2.66
10	Mr Michael Brendan Patrick De Tocqueville	450,000	1.95
11	Banson Nominees Pty Ltd	370,313	1.61
12	Top Pocket Pty Ltd	311,390	1.35
13	HFM Investments Pty Ltd	250,000	1.08
14	Penswood Pty Ltd	199,000	0.86
15	Bond Street Custodians Limited	182,031	0.79
16	29th Marsupial Ltd	172,050	0.75
17	National Nominees Limited	161,674	0.70
18	HSBC Custody Nominees	154,571	0.67
19	Harkosi Securities Pty Ltd	140,000	0.61
20	JP Morgan Nominees Australia Limited	129,409	0.56
		14,252,450	**61.78**

(c) Substantial shareholders
The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of shares
Michael Fitzpatrick	2,701,285
Financial & Investment Management Group Ltd (Citicorp Nominees Pty Ltd)	1,582,254

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

Corporate Information

ABN 39 006 708 792

DIRECTORS
M. Fitzpatrick (Chairman)
P. Kennedy
R. Hayes
M. Donnelly

CHIEF EXECUTIVE OFFICER
Andrew McGill

COMPANY SECRETARY
Reema Ramswarup

REGISTERED OFFICE
Level 14
39 Martin Place
Sydney, NSW 2000
Phone (02) 8243 0400
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BANKERS
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SHARE REGISTER
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452 Johnston Street
Abbotsford, Victoria 3067
Phone (03) 9415 5000

AUDITOR
Deloitte Touche Tohmatsu

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