Treasury Group Ltd

ANNUAL REPORT 2013

Contents

Results at a Glance

The 2013 financial year has been one of solid growth, as we reaped the benefits of the restructuring work and investment decisions in a favourable market.

KEY FINANCIAL HIGHLIGHTS DURING THE YEAR:

Normalised net profit after tax (NPAT)

$10.6m

Total funds under management

$17.1bn

Full year dividend (fully franked)

40c per share

	$	% change
Year End FUM ($bn)	17.1	4.6
Aggregate Boutique Management Fees ($m)	83.0	16.9
Reported NPAT ($m)	10.4	53.9
Underlying NPAT ($m	10.6	31.6
Final Dividend (cps)	23.0	15.0
Full Year Dividend (cps)	40.0	17.7

About us

Treasury Group is a specialist investment and financial services business, focused on boutique funds management companies.

Our philosophy is to partner with talented investment professionals to deliver the highest standard of investment outcomes for investors. We invest capital and provide a range of services to support the growth and development of our partner boutiques. The structure of our services and investments are flexible in order to the meet the needs of boutiques in their different stages of development.

OUR OFFERING CAN INCLUDE SOME, OR ALL OF THE FOLLOWING:

- **Capital investment structured as equity, debt or otherwise for specified purposes;**
- **Distribution and marketing services;**
- **Responsible Entity services; and**
- **Other business support services including risk and compliance, accounting, finance, HR, and operations.**

A year of strong growth and increasing momentum as we continued to focus on key elements of our strategy:

Expand and diversify portfolio, address issues

- Significant investment of time in review of new opportunities during the year

Proactive management of investments and interests

- Exit from investments in Premium Investors completed for net gain
- Dublin-based UCIT vehicle (Treasury Group Investment Funds plc) restructured and sold to RARE Infrastructure
- Evergreen Capital assessing potential merger with Freehold Investment Management
- Review of Treasury Asia Asset Management (TAAM), which led to the sale of TAAM post year at a price that allowed recovery of carrying value of invested capital

Pursue efficiency from support services

- Services provided by Treasury Group Investment Services Limited increasingly focused on boutiques which require them most. Mature boutiques internalised some services during the year
- Boutiques making greater use of Treasury Group Distribution and Marketing services during the year

Invest in core capabilities

- New Chief Investment Officer appointed during year, increasing Treasury Group's capabilities focused on investment activity

67.7%

Amount by which Treasury Group total shareholder return exceed the S&P/ASX 300 Accumulation Index in 2013

Chairman's Report

The Financial Year 2013 saw improved investment conditions across global financial markets and the funds management industry. Momentum at key Treasury Group boutiques improved and has continued into FY2014.

Through FY2013, global market conditions generally improved, with material shifts in financial markets evident. Central banks in key international markets continue to provide significant monetary stimulus and the flow-on effects of this is material for investment markets. In Australia, we saw cash yields decline. For yield-focused investors, equities became relatively more attractive than cash, although there still remains to be very large amounts of funds allocated to cash.

In Australia, we saw the listed equities market increase in value during the year. Industrials did particularly well, while the Resources sector slid backwards. For our boutiques, the changing market conditions suited some more than others.

Treasury Group's business model is operationally leveraged to financial markets. During FY2013, a number of our boutiques delivered exceptional performances for investors, including RARE Infrastructure, Investors Mutual and Celeste. Furthermore, each of these boutiques was nominated for multiple industry awards, with Investors Mutual and Celeste winning several.

Fundamentally, the Australian funds management industry remains attractive to investors and is forecast to grow significantly, underpinned by mandated increases to superannuation contributions and a stable economic and regulatory environment.

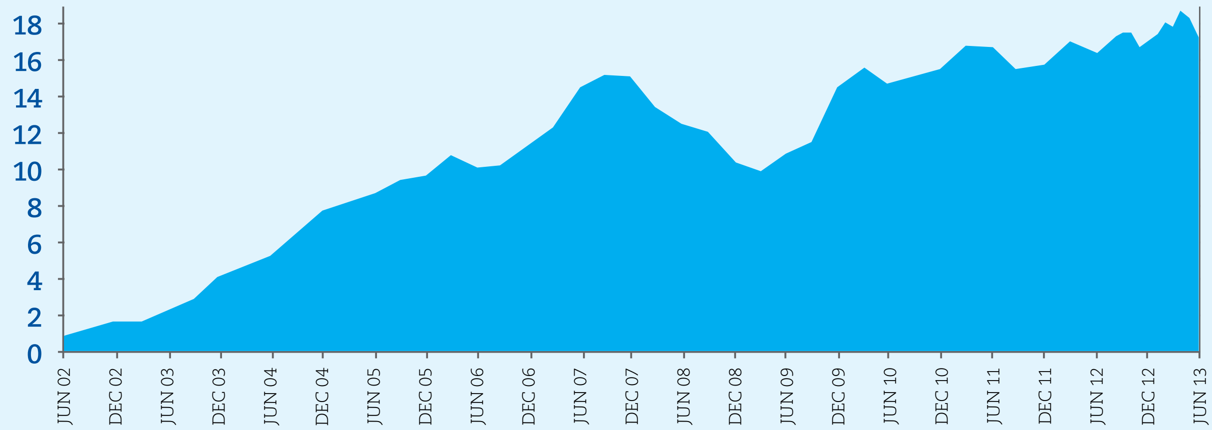
The restructuring and other strategic work completed last year has placed Treasury Group in a stronger position, as the full year benefits flowed through in FY2013. These savings have an annual run rate in excess of $1 million. Treasury Group in now a more profitable and focused business.

Financial Result

Treasury Group's underlying net profit after tax increased to $10.6m, up 32% on the prior year. Statutory net profit after tax was $10.4m, an increase of 54%. Treasury Group continues to maintain a strong balance sheet, with no external debt and a high level of liquidity.

Funds Under Management
($ billions)

All managers associated with Treasury Group – June 2002 to June 2013



Funds Under Management

Funds under management increased by 4.6% to $17.1 billion at year end. We did however, experience net funds outflow of $2.7bn during the year, mainly due to mandate losses at Orion and TAAM. In contrast, RARE Infrastructure, Investors Mutual and Celeste saw strong funds inflows. We were particularly pleased with the increased level of inflows from retail investors. For these three boutiques, an aggregate of $488 million of retail inflows were received, compared to net outflows of $40 million in the prior year. We have seen this stronger retail flow continue into 2014.

Dividend

The Board has declared a fully franked final dividend of 23 cents per share, an increase of 15% on the final dividend for FY2012. The increase reflects the Board's confidence in the Company's financial strength and operating outlook.

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 the Third Link Thrive Program and Third Link Investment Managers via the provision of investment and support services on a pro-bono basis. The Thrive Program 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 its Thrive Program are wonderful initiatives and I invite you to learn more about their work by visiting www.thirdlink.com.au

Outlook

Over the past 12 months, Treasury Group has experienced growth in both funds under management and earnings, led by RARE Infrastructure, Investors Mutual and Celeste. The strong performances from these boutiques, coupled with the rebounding investor sentiment during FY2013, has placed Treasury Group in a strong position at the start of FY2014. None of our partners has yet reached capacity limits, and we are confident that all can continue to deliver future earnings growth to Treasury Group. Management's actions over the past couple of years have resulted in a more efficient and focused business, which was reflected in a re-rating of Treasury Group's shares during the year.

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

FY2013 saw strong earnings growth, achieved due to improved market conditions, strong performances from key boutiques and the benefits of restructuring work carried out in the prior year.

Business Performance

Through the course of FY2013, we saw investor confidence improve, volatility decrease and equity market levels rise. Net fund flows to equities strategies improved during the year, particularly in the second half. Key Treasury Group boutiques won inflows, including net inflows from retail investors, and at Treasury Group head office we benefited from lower costs and more efficient operations. All of these factors contributed to our improved earnings for FY2013.

Over the past year, Management remained attentive to our refocused strategy, which has been communicated in various disclosures over the past 18 months. Our plan is to continue with our proactive approach to the management of Treasury Group's investments and interests.

Actions that we initiated or completed during the year include:

- Completion of the restructure of Premium Investors. This saw Treasury Group exit from our investment in PRV at a profit to carrying value;
- Restructure and sale of our Dublin-based UCIT vehicle to RARE Infrastructure. The vehicle remains available for use by other Treasury Group boutiques, as well as RARE Infrastructure;
- Significant time and effort devoted to the assessment of new investment opportunities;
- Appointment of a new Chief Investment Officer; and
- Review of our investment in TAAM.

Operational and Financial Performance

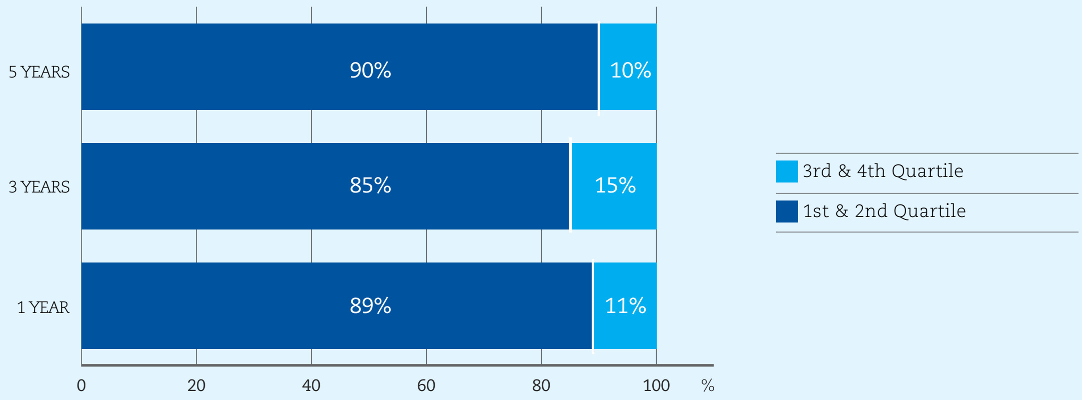
Total funds under management rose by 4.6% during the year to finish at $17.1bn. This in part reflected more favourable market conditions, but it also reflected strong investment performances at Treasury Group boutiques and funds flows. Funds inflows were experienced at RARE Infrastructure, Investors Mutual (IML) and Celeste, while outflows were experienced at Orion and TAAM.

The average net margin earned by our boutique partners on managed funds was up to 55 basis points – increasing for a second consecutive year. This reflected an improved mix of business across the Treasury Group portfolio (i.e. greater proportion of higher margin Retail FUM and inflows at boutiques in which Treasury Group has a relatively higher equity interest).

Historically our boutiques have delivered outperformance (i.e. net investment returns in excess of benchmark) for investors. This trend continued in FY2013, with IML and Celeste doing particularly well.

85-90% of FUM Ranked 1st or 2nd Quartile

as at 30 June 2013



Furthermore, RARE, IML and Celeste were each nominated or won industry awards during 2013. As illustrated above, between 85% and 90% (depending upon the time horizon considered) of Treasury Group FUM, as at year end, was underpinned by boutiques with either first or second quartile performances relative to their competitors. We believe this provides comfort in relation to both the sustainability of current Treasury Group earnings and also prospects for further organic growth from our existing boutiques.

Normalised net profit after tax was $10.6 million for FY2013, an increase of 32% on the previous year. This reflects significantly improved outcomes across our portfolio of boutiques during 2013. Aggregate Management Fee Income across Treasury Group boutiques increased by 17% on the previous year, and Treasury Group's Share of Associates Net Profit after Tax was also up, by 30%. FY2013 was a year in which the "scalability" of the multi-boutique model of funds management was apparent.

Statutory net profit after tax was $10.4 million, up 54% compared to last year. The statutory result includes the impact of one-off abnormal income or expenses associated with actions taken during the year, such as the restructure of Premium Investors, and the profits on investments sold during the year. It also includes the impact of accounting decisions at year end, such as impairment charges on underperforming businesses and the recognition of previously unrecognised tax benefits.

Expenses at Treasury Group were lower than FY2012. Following last year's restructuring activities, more than $1 million of savings were realised this year, and we expect to continue to benefit from these savings in future years.

Capital levels at Treasury Group are surplus to all regulatory requirements and also provide scope for growth opportunities. As at year end, cash, available-for-sale investments and loans to boutiques totalled $24.3m, and there was no outstanding debt. Operating cash flow during the year was $10.9m.

The value of Treasury Group's investments in partner boutiques is carried at $30.0m, which represents historical cost plus our share of undistributed earnings over time. 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 $69.8m and Treasury Group's proportionate share of that amount was $30.6m.

Market Environment

Through the course of FY2013, market conditions improved from Treasury Group's overall perspective, although some significant shifts were evident. The significant degree of monetary stimulus being applied by governments around the world, and changing market expectations about future levels of stimulus, are major influencers of financial markets. In Australia, yields on cash and short duration fixed income assets declined and the Australian dollar weakened. The All Ordinaries Price Index rose by 15.5%, while the Small Ordinaries Price Index declined by 8.3%. Industrial stocks had a good year (ASX300 Industrials Price Index up 26%), while Resources did not (ASX300 Resources Price Index down 10.8%). From these contrasting statistics, it is evident that market conditions were actually quite different for each boutique, depending upon their investment style and focus.

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

With the rise in value of equities markets, average earnings yields declined a little, but by less than the decline in cash and term deposit rates. As such, for investors focused on yield, the equities market became relatively more attractive.

Fundamentally, funds management is an attractive industry in Australia as it is large and growing. Growth is underpinned by the legislated increases in the rate of compulsory superannuation contributions from the wages of all Australians.

During the year, market conditions provided a favourable back drop for Treasury Group's domestic equities managers such as Investors Mutual and Celeste.

The mandate of RARE Infrastructure is international and therefore the market context for it is somewhat different than for our domestic equities boutiques. However, market conditions for RARE Infrastructure were also favourable, due in part to the continued focus of many investors on yield and preference for asset classes with lower volatility. RARE Infrastructure offers both hedged and unhedged products to investors, which accommodates changes in investor preference due to movement in the value of the Australian dollar.

The market context for Treasury Group and its boutiques in 2013 was again influenced by a changing regulatory environment. This year, the industry prepared for the introduction of MySuper, which increased investor focus on value for money strategies.

Treasury staff also worked with our boutique partners to ensure compliance with the Foreign Account Tax Compliance Act (FATCA) and the 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.

Strategy

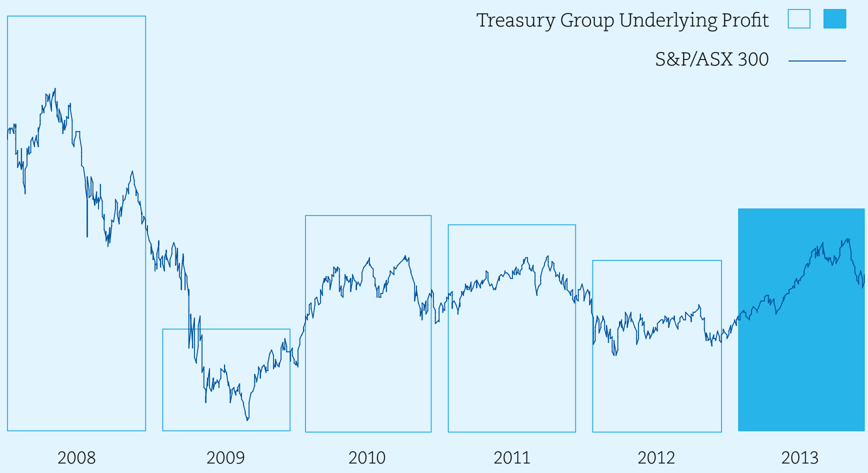
Management efforts remain on the execution of Treasury Group's refocussed strategy. Key elements of our strategy include:

- **Expand and diversify** our portfolio of boutiques;
- **Proactive management** of our investments and interests;
- Improve our capability to **provide seed funding** to partner boutiques;
- Invest in **Distribution and Marketing capabilities**;
- **Pursue efficiency** from support services; and
- **Consider acquisitions** and other growth opportunities.

Our proactive approach was again evident during the year. The restructuring and exits from investments in Premium Investors and the Dublin-based UCIT platform represented successful resolution of ongoing issues associated with both structures.

In spite of the investment of significant time and effort throughout the year, FY2013 did not see us complete any new investments. We are however optimistic about several opportunities currently before us and hope to be in a position to announce successful outcomes during the course of the 2014 financial year.

Financial Performance



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

The S&P/ASX 300 Index increased by 17% during 2013.

Source:
Treasury Group
& Bloomberg

During FY2013, we benefitted from the cost reduction work that was done at Treasury Group in the prior year. In excess of $1.0 million of savings from this work flowed to Net Profit after Tax during 2013. We expect these savings to continue to benefit shareholders in the coming years.

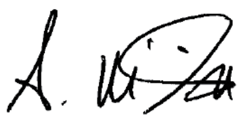
Towards the end of the year, we commenced a review of our investment in Treasury Asia Asset Management (TAAM). The review was prompted by significant funds outflows at TAAM, which resulted in the deterioration of the financial position of the business. Frustratingly, this occurred at a time when the investment performance of TAAM was improving. Following year end, a potential opportunity arose for Treasury Group to exit from its investments in TAAM and recover in full the value of invested capital. As at the time of going to print, we remain engaged with the potential buyer in relation to the opportunity.

We continue to invest in our staff and capabilities. In August 2013, we were pleased to announce the appointment of Mr Andrew Howard as Chief Investment Officer, a new position for Treasury Group. Having worked most recently as CIO, Asia Pacific at Mercer Australia, Andrew brings over 20 years' experience and extensive knowledge of the local and global funds management industry and proven capabilities in asset allocation, portfolio design and manager selection, as well as portfolio management. At Treasury Group, Andrew will be focused on the identification of new boutique and investment opportunities, as well as providing support to the current Treasury Group boutiques.

Conclusion

I am pleased with the progress we have made this year. Across our portfolio, we have seen growth in FUM and earnings through the year. At year end, 85-90% of FUM was underpinned by first or second quartile investment performance. Looking forward, we will continue to actively pursue investment and partnership opportunities that will create further growth and value to the Treasury Group business.

Finally, I would like to thank all Treasury Group employees, and the staff of our boutique partners, for their hard work and efforts this 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 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 2013, funds under management rose to $4.3bn, representing a 51% increase. Investment performance was very strong. For example, Investors Mutual's Australian Share Fund returned +27.2% for the year which was 21.9% 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 a 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 for Orion was $0.7 billion, down 80% on the prior year. The investment performance of Orion during the year was impacted by the drag on the market by the materials sector and the stronger performance of defensive and yield driven stocks.

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. RARE has product offerings in Europe/UK, North America, as well as Australia.

During the year, RARE's funds under management increased by 45% to $7.1 billion. RARE funds remain ranked within the top quartile of their peer groups. RARE Infrastructure has delivered outperformance for its clients across its various investment products since inception.

Celeste Funds Management

Celeste Funds Management is a long-only Australian 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.

During 2013, Celeste won awards for Best Smaller Companies manager from both Money Magazine and the Morgan Stanley Australian Fund Managers Awards.

During the year, Celeste grew its funds under management from both institutional and retail clients by 21%, to $646 million. Investment performance during the year was strong, up by 0.3% when compared to a 5.3% decline in the S&P/ASX Small Ordinaries Accumulation Index benchmark. Since inception, Celeste has delivered alpha for its clients returning 15.3% p.a.

During the year, RARE's funds under management increased by 45% to $7.1 billion

45%

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. Aubrey is also the appointed sub-manager of the GVI Global Industrial Fund

During the year, Aubrey's funds under management increased by 23.8% over the 2012/2013 year to $465 million, this includes funds within the GVI funds. Aubrey has delivered strong investment performance for investors since inception. Investment performance for the Aubrey Global Conviction Fund was up 30.1% over the year. The GVI Aubrey Global Growth and Income Fund also saw positive investment performance returns of 22.1% and 33.6% p.a. respectively.

Evergreen Capital Partners

Led by Tim Hannon, Evergreen is a Melbourne-based absolute return fund manager that targets returns over the medium to long term, with lower volatility than the Australian equity market. In 2012, Evergreen was appointed submanager of the AR Capital Ascot Fund.

At the FY2013 year end, Evergreen funds under management were approximately $105 million, including its absolute return funds and property fund joint venture. Since inception, returns to investors in the Evergreen Equity Returns Fund have been 2.7%.

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 $63 million. Since inception, the Octis Asia Pacific Fund has outperformed the MSCI Asia Pacific index by 8.9% p.a., and 4.6% p.a. against the Eureka Hedge Index.

Treasury Asia Asset Management

Treasury Asia Asset Management is a boutique Asian equity funds management business founded in 2005 by Peter Sartori and based in Singapore.

TAAM specialises in investing in Asian securities, managing portfolios for both institutional and retail investors to achieve long term capital growth.

TAAM's investment performance during the year was improved, up 25.5% and 3.5% ahead of its benchmark. However, funds under management decreased to $274m due to significant redemptions by investors. This loss of funds impacted the business's financial performance and at year end, TAAM was under review.

Treasury Group Services

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

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; and
- information technology and automation solutions.

These services are provided through our team of experienced and professional staff. The 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 the 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

Michael Fitzpatrick, (Chairman)

Peter Kennedy, (Non-Executive Director)

Reubert Hayes, (Non-Executive Director)

Melda Donnelly, (Non-Executive Director)

Company Secretary

Reema Ramswarup

Directors' Report

Your Directors submit their report for the year ended 30 June 2013.

Directors

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

Names, qualifications, experience and special responsibilities

Michael Fitzpatrick, (Chairman) BA. 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.

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

He is the Chairman of the Audit and Remuneration Committee.

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

Reubert Hayes joined the Board on 22 February 2007. Mr Hayes has over 40 years experience in investment management and stockbroking research, and was a founder and CEO of Ausbil Dexia Limited, a specialist wholesale boutique asset management operation. Mr Hayes was also a joint founder of Barclays Bank's investment operations in Australia in 1984, and was CEO of that business for 12 years until 1996. Prior to this Mr Hayes held senior investment roles with AMP and Westpac. Mr Hayes is a Senior Fellow of the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors.

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

Melda Donnelly, (Non-Executive Director) B.C.
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.

Ms Donnelly sits on Nomination Committee and Remuneration Committee.

Company Secretary

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.

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/ Performance rights over Ordinary Shares
M. Fitzpatrick	2,701,285	–
R. Hayes	–	–
P. Kennedy	213,487	–
M. Donnelly	–	–

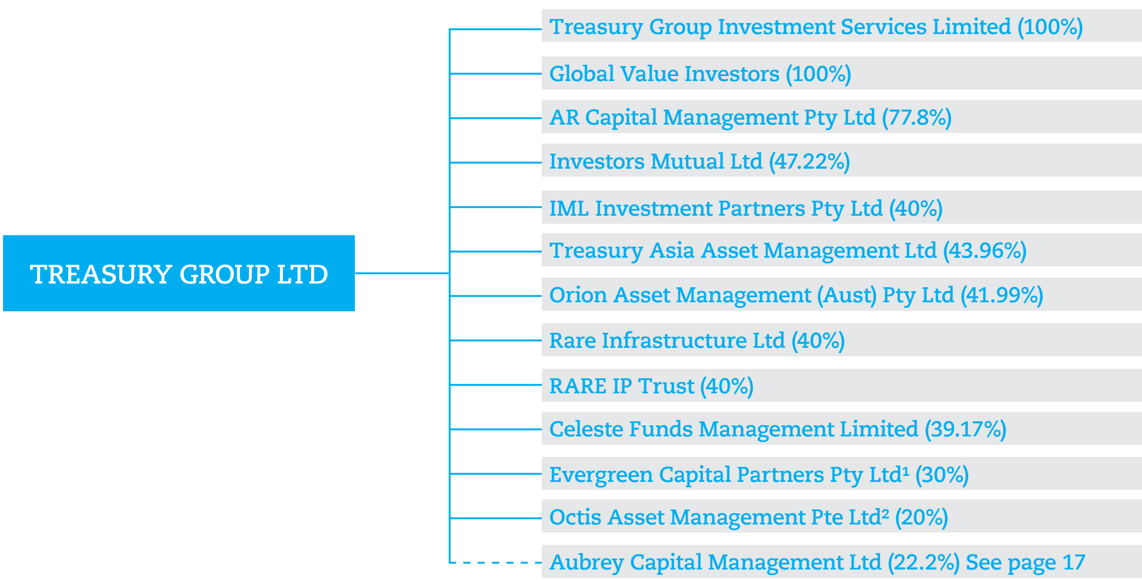
Earnings Per Share	Cents
Basic earnings per share	45.0
Diluted earnings per share	45.0

Dividends	Cents per share	$
Final dividend recommended:		
– on ordinary shares (fully franked)	23	5,306,274
Dividends paid in the year:		
Interim for the year		
– on ordinary shares (fully franked) paid on 27 March 2013	17	3,922,028
Final for 2012 shown as recommended in the 2012 report		
– on ordinary shares (fully franked) paid on 26 September 2012	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:



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.

Operating And Financial Review

Review of Operations

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 17 full time equivalent employees as at 30 June 2013 (2012: 19). The consolidated entity includes Treasury Group Ltd (parent), Treasury Group Investment Services Ltd, Global Value Investors Ltd and AR Capital Management Pty Ltd.

Business Performance/Funds Management

Treasury Group Ltd have experienced strong growth in its business performance and operations over the last year. This is evidenced by FUM growth across the Group by 5% to $17.13b. This growth in FUM reflected the improved market conditions and strong performance delivered by Treasury Group's partner boutiques, strong funds inflow from Investors Mutual Ltd, Celeste Funds Management and RARE Infrastructure Ltd, offset by net outflows in some of the Group's other business areas such Orion Asset Management Ltd and Treasury Asia Asset Management Ltd. The Group's performance is strongly correlated with the level of listed equities markets as the fees and revenues earned by the boutique partners are based upon percentage of funds managed.

The Group's results arose from four main business segments. The results from Australian equities increased by net 6% which arose from the increased contribution of Investors Mutual Ltd, IML Investment Partners and Celeste Funds Management offset by the reduced contribution by Orion Asset Management. The results from alternative equities increased by 67% mainly due to consistent inflows and strong performance of RARE Infrastructure Ltd. Meanwhile, the results from the Group's outsourcing and responsible entity services increased by 165% due to a one-off transaction arising from the restructure of Premium Investors Ltd (PRV). Lastly, the central administration segment improved by 6% due to continued control, however impairment charges and write offs were taken up on investments and other assets at the corporate level. Refer to Note 21 for further discussion on the segment information.

Below are the key business areas of the Group's operations:

Australian Equities

Investors Mutual Ltd (IML) provides a funds management capability to both institutional and retail investors. The consolidated entity holds 47.22% 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 specialising in Australian equities. The consolidated entity holds 41.99% of the issued capital of Orion Asset Management Ltd. Orion Asset Management Ltd is considered a jointly controlled entity of the Group.

Celeste Funds Management Limited is an Australian equity manager with a small 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. Treasury Group Ltd owns 100% interest in the Company.

Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific region. The consolidated entity holds 43.96% of the issued capital Treasury Asia Asset Management Ltd. 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 22.2% of the equity capital of Aubrey Capital Management. The convertible preference shares are treated as Available-For-Sale Assets by the Group in accordance with Accounting Standards. 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. During the year, Treasury Group Ltd acquired a further 2.2% holdings via the exercise of rights issue.

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. Treasury Group Ltd owns 77.8% of the issued capital of AR Capital Management Pty Limited.

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 as well as specialisation in real estate investment trusts. Treasury Group Ltd owns 30% via its subsidiary Treasury Evergreen Pty Limited. Evergreen Capital Partners Pty Ltd is considered as jointly controlled entity.

Octis Asset Management Pte Ltd is an Asian multi strategy equity manager based in Singapore. Treasury Group owns 20% via its subsidiary.

Administration & Compliance Services

Treasury Group Investment Services Limited, a wholly-owned controlled entity of Treasury Group Ltd provides administrative, accounting, and compliance services to certain members of the Group. It is also the responsible entity for the majority of schemes in the Group.

Operations, acquisitions and disposal

Treasury Group Ltd continued to pursue growth initiatives and investing in core capabilities. During the year, Treasury Group Ltd acquired a 20% interest in Octis Asset Management Pte Ltd. Octis is an Asian multi strategy equity manager based in Singapore. Cost of the initial acquisition was $225,395. Treasury Group Ltd also acquired an additional 2.2% holding in Aubrey Capital Management through the exercise of rights issue. Cost of the acquisition was $314,073.

During the year, Treasury Group Ltd and its subsidiary Treasury Group Investment Services Limited acquired units in Octis Asia Pacific Fund Limited for $4,307,245 and $1,500,000 respectively. These investments represent seed capital to assist in the growth and marketing of this product.

On 14 September 2012, the Board of Premium Investors Ltd (PRV) and Wilson Asset Management Capital Limited (WAM) entered into a Scheme Implementation Agreement (the Scheme). On 12 December 2012, the Scheme was approved and WAM assumed control of the Company at that date. On 11 January 2013, the Board of PRV gave the 30-day notice of termination of the Management Agreement between TIS and PRV.

Treasury Group Ltd redeemed its shares held in PRV and its units held in TG TAAM Asia Ex Japan 1, Ascot Fund and Orion Sirius Fund. Net gain on disposal of these investments amounted to $396,297.

Directors' Report cont.

Operating Results for the Year

The above events and transactions resulted to a consolidated profit for the year attributable to members of Treasury Group Ltd amounted to $10,390,514 (2012: $6,751,757). The net profit after tax of the group as reported in the current year has increased by 54% compared to the 30 June 2012 comparative result as shown in the table below reconciling the underlying profit as follows:

	Consolidated	
	2013 $	2012 $
Net profit attributable to members of the parent	10,390,514	6,751,757
Add/(Deduct):		
– Net settlement fee from PRV restructure	(537,264)	–
– Net (gain)/loss on disposal of available-for-sale investments	(396,297)	85,158
– Legal and consulting expenses	278,643	–
– Employee and restructuring costs	140,000	106,806
– Consulting fees	76,250	–
– Impairment of investments accounted for under the equity method	800,000	361,201
– Impairment of goodwill	331,124	–
– Net effect of GVI restructuring costs	–	770,616
– Tax adjustment to recognise tax losses previously unrecognised	(454,950)	–
Underlying profit	**10,628,020**	**8,075,538**

Earnings Per Share

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

	2013	2012
Basic earnings per share (cents)	45.0	29.3
Diluted earnings per share (cents)	45.0	29.3

Financial Position

Treasury Group Ltd has a strong balance sheet and sound capital structure. This is evident from the Company's positive cash flow position and no existing borrowing facilities that were required to date to fund the growth activities of the Group. Consolidated cash balance as at 30 June 2013 is $12.1m. Net assets increased by 8% which is largely attributable to the current year's profit after tax.

As at 30 June 2013, Treasury Group Ltd holds Available-For-Sale-Investments amounting to $9.9m which can be readily converted to cash should the need arise.

The value of Treasury Group's investment in partner boutiques is carried at $30.7m which represents historical cost plus the share of undistributed earnings over time. A significant proportion of this carrying value is reflected in cash and liquid assets held at the boutique level.

Treasury Group Ltd has the capacity to pay dividends to its shareholders. During the year, Treasury Group Ltd paid 37 cents in dividends, an increase of 9% compared to the comparative period. A final dividend of 23 cents per share is declared on 21 August 2013.

During the year, Treasury Group Ltd did not conduct any buy-back schemes to reduce its share capital (2012: nil).

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.

Cash Flow from Operations

Net cash flow from operating activities increased by $4.2m to $10.9m or by 62% over the year. This increase arose from the consistent dividend and distribution payments by the equity accounted investments to Treasury Group Ltd.

Business strategies and prospects

Treasury Group Ltd continues to look at start up opportunities as well as acquisitions as part of its growth strategy. This growth may come from merger and acquisition opportunities at corporate level. With the sound capital structure and strong cash flows from portfolio of boutique investments, Treasury Group Ltd is positioned to continuously explore and investigate such business opportunities that deliver additional value without exposing shareholders to excessive risk. These types of opportunities are potentially risky and difficult to forecast. However, with a disciplined approach and assistance of professional advisers, Treasury Group Ltd will continue to assess such opportunities as they arise.

Material business risks

The material business risks faced by Treasury Group Ltd that are likely to have an impact on the financial prospects of the Company and how the Company manages these risks include:

Global Market risks

The nature of the business of Treasury Group Ltd means that the Group is always exposed to market volatility and potential adverse market conditions. Major international listed equity markets continue to display volatility on both upside and downside with publicised global macro risks such as higher European sovereign debt risks, slower growth in China and monetary policies in the US and Japan. While these risks are external and beyond the control of the Group, a number of our boutique partners delivered exceptional performance including Investors Mutual Ltd, RARE Infrastructure Ltd and Celeste Funds Management Limited. Market risk is however at the core of the business.

Investment appetite

Retail investors have remained cautious in their investment styles. This conservatism had driven outflows in the retail market. Treasury Group believes that the Australian funds management industry is attractive and growing, underpinned by mandated increases to superannuation contributions and stable economic regulatory environment. The risk appetite of investors does change and this can influence fund flow and asset allocation.

Regulatory environment

The business of the Group operates in a highly regulated environment that is frequently subject to review and regular change. During the year, Treasury Group Investment Services Limited was subject to ASIC surveillance for its compliance for the various local regulatory guidelines. Treasury Group Ltd's risk and compliance team are always working to ensure that the Group is compliant with the new financial and regulatory requirements.

Significant Changes in the State of Affairs

On 10 July 2012, Treasury Group Ltd acquired a 20% equity ownership in Octis Asset Management Pte Ltd (Octis). Octis is an Asian multi strategy equity manager based in Singapore. Cost of the initial acquisition was $225,395.

On 14 September 2012, the Board of Premium Investors Ltd (PRV) and Wilson Asset Management Capital Limited (WAM) entered into a Scheme Implementation Agreement (the Scheme). On 12 December 2012, the Scheme was approved and WAM assumed control of the Company at that date. On 11 January 2013, the Board of PRV gave the 30-day notice of termination of the Management Agreement between TIS and PRV.

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 7 August 2013, Mr. Andrew Howard was appointed as Chief Investment Officer of Treasury Group Ltd.

On 21 August 2013, the Directors of Treasury Group Ltd declared a final dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is $5,306,274 which represents a fully franked dividend of 23 cents per share. The dividend has not been provided for in the 30 June 2013 financial statements.

Performance Rights

On 1 July 2012, Treasury Group Ltd granted additional 39,007 performance rights which have vesting date of 1 July 2015 (2012: 816,749 granted on 12 July 2011 and have vesting date of 11 July 2014) to officers and certain employees as part of their long term incentives. 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, 9,375 (2012: 154,517) issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,092,009 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $373,479 (2012:$351,109).

Directors' Report cont.

As at the date of this report, there were no unissued ordinary shares under performance rights (30 June 2012: Nil) held by employees of the Group. Further details of the performance rights outstanding to employees of the Group are included in Note 26 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 29.4 to Aus 29.7.2 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 two 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.

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

The Board sets annual KPIs for the CEO against which performance is measured. The KPIs are based on financial targets, growth and business development targets as well as operational management.

The focus of the KPIs is to drive decision making in a manner that increases returns to shareholders in the short and longer term. The financial targets and heavily weighted in the STI calculation. The board also considers the general value add to the business and the company's stakeholders through areas such as investor relations, deal origination and strategy.

Directors' Report cont.

Following are the CEO's KPIs for 2013:

- Achievement of eps growth targets
- Completion of targeted deal opportunities
- Achievement of strategic plan milestones (which in FY 13 included expansion of TRG capabilities, restructure of PRV, other)
- Qualitative assessment of management of staff
- Qualitative assessment of effectiveness of communications with market
- Discretionary element

Variable Remuneration – Long Term Incentive (LTI)

Objective

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

Structure

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

Performance rights

The Company granted performance rights to officers and certain employees as part of their long term incentives. The performance rights have been split into two equal tranches and each tranche is subject to different total shareholder return (TSR) performance hurdles. TSR measures the return to a shareholder over the Performance period in terms of changes in the market value of the shares plus the value of any dividends paid on the shares. Each TSR hurdle compares the TSR performance of Treasury Group with the TSR performance of each of the entities in a comparator group described below:

Tranche 1 – S & P ASX 300 comparator Group

50% of the performance rights are subject to the TSR hurdle that compares the TSR performance of Treasury Group at the end of the performance period with the growth in TSR over the same period of the S&P ASX 300 companies.

Tranche 2 – selected comparator group

50% of the performance rights will be subject to a TSR hurdle that compares the TSR performance of Treasury Group at the end of the performance period with the growth in TSR over the same period of a selected comparator group of companies. Each company in the comparator group is weighted equally. The comparator group comprises

- BT Investment Management Ltd
- Perpetual Limited
- K2 Asset Management Holdings Limited
- Hunter Hall International Limited
- Platinum Asset Management Limited
- Magellan Financial Group
- IOOF Holdings Limited

The percentage of performance rights which vest (if any) will be determined by the Board be reference to the percentile ranking achieved by the company over the performance period compared to the comparator group applying under the relevant TSR hurdle for the tranche:

TSR growth – percentile ranking	Performance rights that vest (%)
75th percentile or above	100%
Between 50th and 75th percentile	Progressive pro rata vesting from 50% at 2% for every one percentile increase above the 50th percentile
50th percentile	50%
Below 50th percentile	Nil

Upon vesting of the performance rights a share is allocated for each performance right. The shares will rank equally and have the same voting rights and dividend eligibility as other ordinary shares in the company.

Lapse of Performance Rights

Performance rights lapse to the extent that performance conditions are not satisfied. These include:

- Cessation of employment before the end of the vesting period
- Contravention of dealing restrictions
- Acting dishonestly or fraudulently

Change of Control

Generally in the event of a change of control whether through takeover, scheme of arrangement or any other transaction that the board determines is likely to result in a change of control, the performance rights may vest at the board's discretion.

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] $	Super-annuation $	Shares $	Options/ Performance rights[2] $	Others[3] $	$	
Directors								
M. Fitzpatrick – Chairman								
2013	114,679	–	10,321	–	–	–	125,000	–
2012	114,679	–	10,321	–	–	–	125,000	–
D. Cooper – Non-Executive Director								
2013	–	–	–	–	–	–	–	–
2012	116,302	–	3,396	–	–	–	119,698	–
P. Kennedy – Non-Executive Director								
2013	120,000	–	–	–	–	–	120,000	–
2012	120,000	–	–	–	–	–	120,000	–
R. Hayes – Non-Executive Director								
2013	80,275	–	7,225	–	–	–	87,500	–
2012	68,808	–	6,192	–	–	–	75,000	–
M. Donnelly – Non-Executive Director								
2013	55,046	–	4,954	–	–	–	60,000	–
2012	14,397	–	1,296	–	–	–	15,693	–
Executives								
A. McGill – Chief Executive Officer								
2013	406,850	360,000	16,470	–	273,333	–	1,056,653	34%
2012	421,422	–#	15,775	–	265,096	–	702,293	38%
J. Ferragina – Chief Financial Officer								
2013	303,530	179,200	16,470	–	76,533	–	575,733	31%
2012	284,225	121,000	15,775	–	74,227	21,865	517,092	38%
C. Feldmanis – Treasury Group Investment Services Ltd – Managing Director (resigned 17 August 2011)								
2013	–	–	–	–	–	–	–	–
2012	112,532	–	15,775	–	–	–	128,307	–
R. Sullivan – Head of Distribution (resigned 7 March 2012)								
2013	–	–	–	–	–	–	–	–
2012	284,225	381,166*	15,775	–	–	–	681,166	58%
Total remuneration: Key Management and Highest Paid Personnel								
2013	1,080,380	539,200	55,440	–	349,866	–	2,024,886	27%
2012	1,536,590	502,166	84,305	–	339,323	21,865	2,484,249	35%

1 Cash bonuses paid to Executives are performance-based with the exception of Mr. Sullivan and paid every August in the following financial year. For 2013 KMP bonuses, 50% is deferred and payable in the following year. The deferred component is not provided for as at 30 June 2013.

Directors' Report cont.

The table below shows the maximum potential bonus of each of the Executives:

Executives	Maximum Potential Bonus 2013	2012
A. McGill	450,000	450,000
J. Ferragina	256,000	240,000

2 Refer to Note 23 for the vesting conditions of options and performance rights granted to Executives.

3 There were no termination payments paid during the year.

2012 cash bonus was waived by Mr McGill.

* In the prior year, 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.

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 amount of bonus pool:

	2013 $	2012 $	2011 $	2010 $	2009 $
Net profit after tax	10,390,514	6,751,757	10,005,104	11,676,131	4,945,543
Share price at start of year ($)	4.09	3.96	5.06	4.11	9.21
Share price at end of year ($)	7.07	4.09	3.96	5.06	4.11
Interim dividend (cps)	17	14	14	12	10
Final dividend (cps)	23	20	20	14	10
EPS	45.0	29.3	43.4	50.6	21.4
KMP bonuses ($)	539,200	502,166	992,443	1,421,527	560,384

On 1 July 2012, Treasury Group Ltd granted additional 39,007 performance rights which have vesting date of 1 July 2015 (2012: 816,749 granted on 12 July 2011 and have vesting date of 11 July 2014) to officers and certain employees as part of their long term incentives. 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, 9,375 (2012: 154,517) issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,092,009 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $373,479 (2012:$351,109).

Remuneration Long term incentive- Performance rights: Granted and vested during the year

On the year ended 30 June 2013, Treasury Group Ltd issued 39,007 (2012: 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

2013	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	–	–	–	–	–
J. Ferragina	–	–	–	–	–
Other employees	63,971	–	(4,740)	(4,740)	–

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
2013

During the year ended 30 June 2013, the Company did not issue any shares to the Key Management Personnel on the vesting of performance rights (2012: nil).

Employment contracts

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

As a long term incentive, Mr McGill was awarded 500,000 performance rights on 12 July 2011 with each right at the time of grant representing one Treasury Group Ltd share if it vests. The performance rights have been split in two equal tranches and each tranche is subject to different total shareholder return (TSR) performance hurdles. Vesting conditions are subject to performance hurdles which are discussed earlier in this report.

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 two equal instalments over a two 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. Vesting conditions are subject to the same performance hurdles as discussed earlier in this report.

Directors' Report cont.

Directors' Meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended
M. Fitzpatrick	10	10	4	3	2	2	0	0
P. Kennedy	10	10	4	4	2	2		
R. Hayes	10	10	4	4	2	2	0	0
M. Donnelly	10	9						

Committee membership

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

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

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

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group 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 auditors of Treasury Group Ltd. A copy of the declaration is set out on page 27.

Signed in accordance with a resolution of the Directors.

M Fitzpatrick
Chairman
21 August 2013

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
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The Board of Directors
Treasury Group Ltd
Level 14, 39 Martin Place
Sydney NSW 2000

21 August 2013

Dear Board Members

Treasury Group Ltd

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 Ltd.

As lead audit partner for the audit of the financial statements of Treasury Group Ltd for the financial year ended 30 June 2013, 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

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

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

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

Treasury Group 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 programme to gain an understanding of the Company's financial position, its strategies, operations and risk management policies as well as the rights, duties, responsibilities and roles of the Board and senior executives.

Principle 2: Structure the Board to add value

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

The 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.

During the financial year, the members of the Nomination Committee were Mr Hayes (Chairman) and Mr Fitzpatrick. On 17 July 2013, Ms Donnelly was appointed to the Nominations Committee and the Company now meets the ASX Principles recommendation of having a minimum of three members on the Nomination Committee.

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

The Board Charter provides for the undertaking of annual Board and Committee performance evaluation. The Board's performance is measured against both qualitative and quantitative indicators. The objective of this evaluation is to provide best practice Corporate Governance to the Company.

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

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

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

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

- details of the role and responsibilities of a director;
- formal policies on director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- access to a copy of the Board and Committee Charters;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.
- Each Director has the right of access to all Company information and to the Company's executives. The Board collectively and each Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Principle 3: Promote ethical and responsible decision-making

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

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

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

The Board established a Diversity Policy 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:

	Total	Female	%
Board	4	1	25%
Senior Executives	2	0	–
Managers	6	3	50%
Employees	9	7	86%

The representation of women across the organisation as a whole is 52%.

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.

Corporate Governance cont.

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.

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 2012/13 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 on-line governance, risk and compliance software system which allows material business risks to be linked to mitigating controls so that the performance of Treasury Group's enterprise risk and compliance programs can be monitored continuously.

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

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements. The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

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. On 17 July 2013, Ms Donnelly was appointed to the Remuneration Committee.

The Remuneration Committee has a formal charter which is available on the website of the Company in the Corporate Governance Section.

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

Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Performance rights plan and Share Purchase Plan; and
- statutory superannuation.

By remunerating Senior Executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and enhance Company performance. The amount of remuneration, including both monetary and non-monetary components, for each of the Key Management Personnel during the year (discounting accumulated entitlements) is detailed in the Directors' Report.

The value of shares, 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 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
Revenues	5(a)	4,303,143	3,944,594
(Loss) on investments	5(b)	(403,703)	(69,756)
Salaries and employee benefits expenses	5(c)	(4,517,723)	(5,202,287)
Other expenses	5(c)	(3,628,471)	(3,741,651)
Share of net profits of equity accounted investments	13(c)(iv)	15,050,149	11,484,896
Profit Before Income Tax		10,803,395	6,415,796
Income tax (expense)/benefit	7(c)	(399,156)	338,432
Profit for the Year		**10,404,239**	**6,754,228**
Attributable to:			
Non-Controlling Interest		13,725	2,471
Members of the Parent	20(e)	**10,390,514**	**6,751,757**
Earnings per share (cents per share)			
– basic for profit for the year attributable to ordinary equity holders of the parent	25	45.0	29.3
– diluted for profit for the year attributable to ordinary equity holders of the parent	25	45.0	29.3
Franked dividends paid per share (cents per share) for the financial year	8(b)	37	34

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

Statement of Comprehensive Income

for the year ended 30 June 2013

	Consolidated	
	2013 $	2012 $
Profit for the Year	10,404,239	6,754,228
Other Comprehensive Income		
Items that may be reclassified to profit and loss		
Reversal of previous revaluation of available-for-sale investments sold during the year	775,492	(8,643)
Income tax relating to items that may be reclassified	(232,646)	2,593
Total items that may be reclassified to profit and loss	**542,846**	**(6,050)**
Net unrealised gains/(losses) on available-for-sale investments taken to equity	375,790	(898,998)
Income tax relating to items not reclassified	(112,737)	269,699
Share of after-tax gain on available-for-sale investments of jointly controlled entities	113,606	105,161
	376,659	**(524,138)**
Other comprehensive income/(loss) for the year (net of tax)	919,505	(530,188)
Total Comprehensive Income for the Year	**11,323,744**	**6,224,040**
Attributable to:		
Non-Controlling Interest	13,725	2,471
Members of the Parent	11,310,019	6,221,569

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

Statement of Financial Position

as at 30 June 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
Current Assets			
Cash and cash equivalents	9(a)	12,116,947	8,194,805
Trade and other receivables	10	7,578,686	4,648,822
Other assets		175,232	692,175
Total Current Assets		**19,870,865**	**13,535,802**
Non-Current Assets			
Trade and other receivables	10	723,958	891,713
Available-for-sale investments	11	9,893,255	9,514,834
Loans and other receivables	12	3,629,539	4,002,406
Deferred tax assets (net)	7(d)	2,760,114	3,208,633
Investments accounted for using the equity method	13	30,633,054	29,697,032
Plant and equipment	14	70,270	91,712
Intangibles	15	18,440	34,357
Goodwill	16	252,764	583,888
Total Non-Current Assets		**47,981,394**	**48,024,575**
Total Assets		**67,852,259**	**61,560,377**
Current Liabilities			
Trade and other payables	17	5,861,982	2,823,671
Provisions	18	213,202	143,131
Financial liability	19	600,000	–
Total Current Liabilities		**6,675,184**	**2,966,802**
Non-Current Liabilities			
Provisions	18	99,650	77,194
Financial liability	19	–	600,000
Total Non-Current Liabilities		**99,650**	**677,194**
Total Liabilities		**6,774,834**	**3,643,996**
Net Assets		**61,077,425**	**57,916,381**
Equity			
Equity attributable to equity holders of the parent			
Contributed equity	20(a)	29,594,265	29,594,265
Reserves	20(f)	3,823,945	2,530,961
Retained profits	20(e)	27,643,019	25,788,684
Non-controlling interest		16,196	2,471
Total Equity		**61,077,425**	**57,916,381**

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 2013

	Note	Ordinary shares $	Share options reserve $	Net unrealised gains reserve $	Retained earnings $	Non-controlling interest $	Total $
		Consolidated					
As at 1 July 2012		29,594,265	3,073,807	(542,846)	25,788,684	2,471	57,916,381
Total comprehensive income for the year		**–**	**–**	**919,505**	**10,390,514**	**13,725**	**11,323,744**
Share-based payments		–	373,479	–	–	–	373,479
Consolidation of subsidiaries acquired during the year		–	–	–	–	–	–
Dividends paid	8(b)	–	–	–	(8,536,179)	–	(8,536,179)
At 30 June 2013		**29,594,265**	**3,447,286**	**376,659**	**27,643,019**	**16,196**	**61,077,425**

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

	Note	Ordinary shares $	Share options reserve $	Net unrealised gains reserve $	Retained earnings $	Non-controlling interest $	Total $
		Consolidated					
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	8(b)	–	–	–	(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.

Statement of Cash Flows

for the year ended 30 June 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
Cash Flows from Operating Activities			
Receipts from customers		4,476,460	5,278,541
Payments to suppliers and employees		(7,779,450)	(12,175,058)
Dividends and distributions received		13,507,057	12,750,418
Interest received		570,870	780,596
Income tax refund		134,883	96,381
Net Cash Flows from Operating Activities	9(b)	**10,909,820**	**6,730,878**
Cash Flows from Investing Activities			
Purchase of plant and equipment		(10,609)	(43,489)
Purchase of intangible assets		–	(10,133)
Purchase of investment accounted for under the equity method		(225,395)	(1,400,000)
Purchase of available-for-sale investments		(6,121,318)	(2,372,933)
Proceeds from disposal of available-for-sale investments		7,562,073	984,926
Advance to jointly controlled entities		–	(604,710)
Repayment of loans by jointly controlled entities		343,750	1,675,839
Net cash acquired on acquisition of subsidiaries		–	989,517
Net Cash Flows from/(Used in) Investing Activities		**1,548,501**	**(780,983)**
Cash Flows from Financing Activities			
Equity dividends paid on ordinary shares		(8,536,179)	(7,844,058)
Net Cash Flows (Used in) Financing Activities		**(8,536,179)**	**(7,844,058)**
Net Increase/(Decrease) in Cash and Cash Equivalents		3,922,142	(1,894,163)
Cash and cash equivalents at beginning of year		8,194,805	10,088,968
Cash and Cash Equivalents at End of Year	9(a)	**12,116,947**	**8,194,805**

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 2013

1. Corporate Information

The financial report of Treasury Group Ltd (the 'Company' or the 'Group') for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 21 August 2013.

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.

The financial report is presented in Australian dollars.

Treasury Group Ltd is a for-profit entity.

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 year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Standard/Interpretation	Summary
Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

Notes to the Financial Statements cont.

2. Summary of Significant Accounting Policies (Cont.)

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements which affected the reporting results or financial position.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. 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', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011- 7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'.	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

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 (g) and (h) 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.

Collectability 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 (2012: 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.

Notes to the Financial Statements cont.

2. Summary of Significant Accounting Policies (Cont.)

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

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

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

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

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

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

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:

	2013 & 2012	
Furniture & fittings:	5 – 10 years	diminishing value
Office equipment:	3 – 10 years	diminishing value
Leasehold improvements:	1 – 6 years	straight line

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

Disposal

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

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

l. Intangibles

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

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

m. Investments and other financial assets

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

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

All regular way purchases 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.

Notes to the Financial Statements cont.

2. Summary of Significant Accounting Policies (Cont.)

n. Income tax

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

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

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

- when the deferred income tax liability relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, jointly controlled entities or associates, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group 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.

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.

Notes to the Financial Statements cont.

2. Summary of Significant Accounting Policies (Cont.)

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 two plans in place to provide these benefits:

i. 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.
ii. 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 Officer and executive Long Term Incentive 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 & 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.

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	
	2013 $	2012 $
Financial Assets		
Cash at bank and on hand	12,116,947	8,194,805
	12,116,947	**8,194,805**

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)	
	2013 $	2012 $
Consolidated		
+0.75% [2012:0.75%]/(75 basis points), [2012:75 basis points]	48,571	48,149
–0.75% [2012:0.75%]/(75 basis points), [2012:75 basis points]	(48,571)	(48,149)

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 carrying value of the loans.

Notes to the Financial Statements cont.

3. Financial Risk Management Objectives and Policies (Cont.)

Liquidity risk

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

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

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

Price risk

Equity security price risk arises from investments in unlisted managed trusts, which mainly invest their funds in equities listed on the ASX, except 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	
	2013 $	2012 $
Available-for-sale investments		
– Shares in listed corporation	–	3,180,669
– Units in managed investment trusts	8,568,200	5,470,257
– Unlisted shares in other corporations	1,100	1,100
	8,569,300	**8,652,026**

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)	
	2013 $	2012 $
Consolidated		
ASX 200 + 10%	–	222,724
ASX 200 – 10%	–	(222,724)
MSCI World index + 10%	599,851	382,918
MSCI World index – 10%	(599,851)	(382,918)

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 2013, 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 possiblechange.

The Group does not have any significant transactional currency exposures.

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

	Consolidated 2013 $	Consolidated 2012 $
Available-for-sale investments – US Dollar	–	1,606,829
Available-for-sale investments – British Pound	1,323,955	862,808
Other assets – Euro	–	2,474
	1,323,955	**2,472,111**

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

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

	Equity Higher/(Lower) 2013 $	Equity Higher/(Lower) 2012 $
Consolidated		
AUD/US $ + 10%	–	112,478
AUD/US$ – 10%	–	(112,478)
AUD/GBP + 10%	92,677	60,397
AUD/GBP – 10%	(92,677)	(60,397)

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 2013	Level 1	Level 2	Level 3	Total
Available-for-sale-investments				
Investment in Octis Asia Pacific Fund Limited*	–	5,921,032	–	5,921,032
Investment in Aubrey Conviction Fund*	–	2,647,168	–	2,647,168
Aubrey Capital Management convertible preference shares**	–	–	1,323,955	1,323,955
Others	–	1,100	–	1,100
Total	**–**	**8,569,300**	**1,323,955**	**9,893,255**

Notes to the Financial Statements cont.

3. Financial Risk Management Objectives and Policies (Cont.)

	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**

* 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

*** Listed available-for-sale investment

The fair value of these investments was derived from the quoted price available from ASX as at 30 June 2012.

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 $90,985.

Reconciliation of Level 3 fair value measurements of financial assets

	30 June 2013 Available for sale
	Convertible preference shares
Opening balance	862,808
Additional acquisition of convertible preference shares	314,073
Revaluation of convertible preference shares	147,074
Total	**1,323,955**

	30 June 2012 Available for sale
	Convertible preference shares
Opening balance	836,544
Revaluation of convertible preference shares	26,264
Total	**862,808**

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

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 hybrid monte-carlo/binomial option pricing model with the assumptions detailed in Note 23. 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 $3,629,539(2012: $4,002,406). There was no impairment charge during the year (2012: 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 2013 was $252,764 (2012: $583,888). An impairment charge of $331,124 was recognised during the year (2012: nil).

Notes to the Financial Statements cont.

5. Revenue and Expenses

	Notes	Consolidated 2013 $	Consolidated 2012 $
a. Revenues from continuing operations			
Fee income			
Fund management fees		1,385,405	639,931
Service fees			
– jointly controlled entities		1,713,743	2,121,649
– other		202,028	323,389
Total fee income		**3,301,176**	**3,084,969**
Dividends and distributions			
Dividends from other corporations		–	116,573
Unit trust distribution		395,048	8,665
Total dividends and distributions		**395,048**	**125,238**
Interest			
Related parties			
– jointly controlled entities		299,155	358,932
Other persons/corporations		285,325	363,016
Total interest		**584,480**	**721,948**
Other Income			
Other income		**22,439**	12,439
Total revenues		**4,303,143**	**3,944,594**
b. (Loss) on investments			
Net gains/(loss) on disposal of available-for-sale investments		396,297	(85,158)
Impairment of investment accounted for under the equity method		(800,000)	(361,201)
Net gain on purchase of a subsidiary	6(d)	–	376,603
Total (loss) on investments		**(403,703)**	**(69,756)**

	Notes	Consolidated 2013 $	Consolidated 2012 $
c. Expenses			
Salaries and employee benefits			
Salaries and employee benefits		4,144,244	4,851,178
Share-based payment expense arising from equity-settled share-based payment transactions		373,479	351,109
		4,517,723	**5,202,287**
Depreciation and amortisation			
Furniture & fittings	14(a)	2,231	5,102
Office equipment	14(a)	27,515	29,177
Leasehold improvements	14(a)	2,305	2,130
Software	15(a)	15,917	20,863
Total depreciation and amortisation of non-current assets		**47,968**	**57,272**
Other expenses			
Accounting & audit fees		170,602	194,473
Operating lease rental – minimum lease payments		410,295	783,616
Marketing & communication expenses		249,728	203,697
Travel & accommodation costs		210,392	206,365
Payroll tax		164,803	315,767
Legal & compliance fees		235,700	217,854
Consulting fee & IT charges		651,431	680,722
Insurance charges		266,528	233,049
Directors' fees (non-executives)		392,500	450,641
Share registry & ASX fees		47,877	79,204
Subscriptions and training expenses		210,296	112,351
Impairment of goodwill	16(a)	331,124	–
Fund administration expenses		–	42,350
Other expenses		239,227	164,290
		3,580,503	**3,684,379**
Total other expenses		**3,628,471**	**3,741,651**

Notes to the Financial Statements cont.

6. Acquisition of Subsidiaries (Prior Year)

During the prior year, 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 14 December 2011. 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 47.8% 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 77.8% of the issued capital of AR Capital Management Pty Limited via which Treasury Group Ltd has gained control of the Company.

The consideration transferred and the related gain/goodwill on the purchase/acquisition were 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
Fair value of identifiable net assets acquired	**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.

	Global Value Investors Ltd Acquisition $	AR Capital Management Pty Ltd Acquisition $	Total $
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**

During the prior year, Treasury Group Ltd acquired a further 47.50% interest in Global Value Investors Ltd which 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.

During the prior year, the acquisition of a further 47.8% 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 was 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 on acquisition on the results of the Group

Included in the profit for the comparative are 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 comparative year would have been $5,919,923.

Notes to the Financial Statements cont.

7. Income Tax

	Consolidated 2013 $	Consolidated 2012 $
a. Income tax benefit		
The major components of income tax benefit are:		
Income Statement		
Current income tax		
Current income tax (charge)/benefit	(627,012)	804,872
Adjustments in respect of current income tax charge of previous years	(110,506)	(126,675)
Deferred income tax		
Relating to origination and reversal of temporary differences	(116,588)	207,397
Tax adjustment to recognise tax losses previously unrecognised	454,950	(547,162)
Income tax (expense)/benefit reported in the Income Statement	**(399,156)**	**338,432**
b. Amounts charged directly to other comprehensive income		
Deferred income tax related to income charged or credited directly to other comprehensive income		
Unrealised (gain)/loss on available-for-sale investments	(112,737)	269,699
Income tax (payable)/benefit reported in other comprehensive income	**(112,737)**	**269,699**
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:	**10,803,395**	**6,415,796**
At the Group's statutory income tax rate of 30% (2012: 30%)	(3,241,019)	(1,924,739)
Share-based payments	(112,044)	(105,333)
Reversal of share in net profit of jointly controlled entities	4,515,045	3,445,469
Distributions received	(1,583,400)	–
Expenditure not allowable for income tax purposes	(8,682)	(11,094)
Adjustments in respect of current income tax charge of previous years	(110,506)	(126,675)
Dividend difference	(313,500)	–
Others	–	(392,034)
Tax adjustment to recognise tax losses previously unrecognised	454,950	(547,162)
Aggregate income tax (expense)/benefit	**(399,156)**	**338,432**

	Statement of Financial Position		Income Statement	
	2013 $	2012 $	2013 $	2012 $
d. Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax assets				
Tax losses	2,099,432	2,511,508	(412,076)	–
Tax losses of acquired subsidiaries	562,261	426,111	–	–
Revaluation of available-for-sale investments at fair value	–	365,507	–	–
Impairment of investment accounted for under the equity method	348,360	108,360	240,000	108,360
Accruals and provisions	414,827	359,873	54,954	93,612
	3,424,880	**3,771,359**		
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	(112,737)	(10,163)	–	–
Receivables	(799)	(1,333)	**534**	5,425
	(664,766)	(562,726)		
Net deferred tax assets	**2,760,114**	**3,208,633**	**(116,588)**	**207,397**

During the year, Treasury Group Ltd recognised tax benefits relating to tax losses in prior years amounting to $454,950 (2012: nil) that were not recognised in those years. Deferred tax assets and liabilities arising from temporary differences were recognised in full during the year.

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 2013 $	Treasury Group Ltd 2012 $
a. Dividends proposed and not recognised as a liability*		
Final fully franked dividend 23 cents per share (2012: 20 cents per share)	5,306,274	4,614,151
b. Dividends paid during the year		
Current year interim		
Fully franked dividend (17 cents per share) (2012: 14 cents per share)	3,922,028	3,229,907
Previous year final		
Fully franked dividend (20 cents per share) (2012: 20 cents per share)	4,614,151	4,614,151
Total paid during the year (37 cents per share) (2012: 34 cents per share)	**8,536,179**	**7,844,058**
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% (2012: 30%)	9,378,174	9,957,655
– franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	915,732	898,199
	10,293,906	**10,855,854**
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	(2,274,117)	(1,977,493)
Franking credits carried forward after payment of final dividend	**8,019,789**	**8,878,361**

* Calculation based on the ordinary shares on issue as at 31 July 2013

The tax rate at which paid dividends have been franked is 30% (2012: 30%).

Dividends proposed will be franked at the rate of 30% (2012: 30%).

9. Cash and Cash Equivalents

	Consolidated 2013 $	Consolidated 2012 $
a. Reconciliation of cash and cash equivalents		
Cash balance comprises:		
– cash at bank and on hand	12,116,947	8,194,805
Closing cash balance	**12,116,947**	**8,194,805**
b. Reconciliation		
Profit for the year	10,404,239	6,754,228
Adjustments for		
Share of jointly controlled entities' net profits	(15,050,149)	(11,484,896)
Dividend and distributions received from jointly controlled entities	13,547,967	11,629,758
Impairment of investment accounted for under equity method	800,000	361,201
Net gain on purchase of subsidiary	–	(376,603)
(Gain)/loss on disposal of available-for-sale investment	(396,297)	85,158
Depreciation and amortisation of non-current assets	47,968	57,272
Loss on disposal of fixed assets	–	53,552
Non-cash distributions and dividends	(395,048)	(125,238)
Non-cash interest	(54,117)	(13,135)
Share-based payments	373,479	351,109
Foreign exchange loss	11,609	20,442
Others	(45,146)	(13,730)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,929,864)	1,941,967
Decrease/(increase) in other assets	684,698	(958,304)
Decrease/(Increase) in deferred tax assets	448,519	(978,672)
Decrease/(increase) in goodwill	331,124	(583,888)
Increase/(decrease) in trade and other payables	3,038,311	(381,346)
Increase/(decrease) in current provisions	70,071	(152,758)
Increase/(decrease) in non-current provisions	22,456	(55,239)
Increase in financial liability	–	600,000
Net cash flow from operating activities	**10,909,820**	**6,730,878**

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

Notes to the Financial Statements cont.

10. Trade and Other Receivables

		Note	Consolidated 2013 $	Consolidated 2012 $
Current				
Trade receivables			4,835,029	1,451,389
Sundry receivables			2,664	4,443
Other receivables			79,091	341,612
Related party receivables				
– Jointly controlled entities	— Dividend	28	2,136,708	2,095,797
	— Other		525,194	704,273
– Other related parties			–	51,308
			7,578,686	**4,648,822**

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* $
2013	**7,578,686**	**6,995,367**	**72,124**	**90,804**	**420,391**
2012	4,648,822	4,380,325	51,741	44,776	171,980

* Past due not impaired ('PDNI')

Receivables past due but not impaired is $583,319 (2012:$268,497). All overdue amounts as at 30 June 2012 have been received in full. Payment terms on these amounts have been re-negotiated. Management is satisfied that payment will be received in full.

b. Related party receivables

For terms and conditions of related party receivables refer to Note 28.

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.

	Consolidated 2013 $	Consolidated 2012 $
Non-current		
Security deposits	723,958	891,713
	723,958	**891,713**

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

11. Available-for-Sale Investments

	Consolidated 2013 $	2012 $
Non-current		
– Investment in Octis Asia Pacific Fund Limited*	5,921,032	–
– Investment in Premium Investors Ltd listed shares	–	3,180,669
– Investment in Aubrey Conviction Fund*	2,647,168	2,033,877
– TG TAAM Asia Ex Japan 1*	–	1,606,829
– Investment in Ascot Cayman Fund*	–	838,522
– Investment in Orion Sirius Fund*	–	991,029
– Aubrey Capital Management convertible preference shares**	1,323,955	862,808
– Unlisted shares in other corporations	1,100	1,100
	9,893,255	**9,514,834**

* 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 $1,314,073, of which the $314,073 was acquired during the year. 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

	Notes	Consolidated 2013 $	2012 $
Loans receivables due from:			
Jointly controlled entities	28	3,629,539	4,002,406
		3,629,539	**4,002,406**

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

The following table is a reconciliation of the movement of impairment charges on loans to jointly controlled entities:

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

	Notes	Consolidated 2013 $	Consolidated 2012 $
Investments in jointly controlled entities	13 (c) (i)	30,633,054	29,697,032
		30,633,054	**29,697,032**

a. Interests in jointly controlled entities

Name	Balance date	Ownership interest held by consolidated entity 2013 %	Ownership interest held by consolidated entity 2012 %
Investors Mutual Ltd – ordinary shares	30 June	47.22	47.50
Orion Asset Management (Aust) Pty Ltd – ordinary shares	30 June	41.99	41.99
Treasury Asia Asset Management Ltd – ordinary shares	30 June	43.96	43.96
RARE IP Trust – units	30 June	40.00	40.00
RARE Infrastructure Ltd – ordinary shares	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
Evergreen Capital Partners Pty Ltd – ordinary shares	30 June	30.00	30.00
Octis Asset Management Pte Ltd – ordinary shares	30 June	20.00	–
Aubrey Capital Management Ltd	30 June	–	–

i. Principal activity

a. Investors Mutual Limited provides a funds management capability to both institutional and retail investors.
b. Orion Asset Management (Aust) Pty Ltd is the parent company of Orion Asset Management Ltd, a wholesale fund management company in Australia.
c. Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific Region.
d. RARE IP Trust and RARE Group [RARE Infrastructure Ltd, RARE North America, RARE Infrastructure Sovereign Enterprise, RARE Infrastructure (Europe) Ltd, RARE Infrastructure (UK) Ltd, RARE Infrastructure (USA) Inc.] are funds management business specialising in listed global infrastructure assets.
e. IML Investment Partners Limited provides investment sub advisory services to Investors Mutual Limited.
f. Celeste Funds Management Limited 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. Octis Asset Management Pte Ltd is an Asian multi strategy equity manager based in Singapore.
i. 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 22.2% of its capital.

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

13. Investments Accounted for using the Equity Method (Cont.)

	Consolidated 2013 $	Consolidated 2012 $
c. Additional disclosures		
(i) Carrying amount of investments accounted for using the equity method		
Balance at the beginning of the year	29,697,032	29,269,020
– acquisition of jointly controlled entity	225,395	2,000,000
– share of jointly controlled entities' net profits for the year	15,050,149	11,484,896
– trust distribution received from jointly controlled entity	(5,278,000)	(3,735,854)
– dividends received from jointly controlled entities	(8,269,967)	(7,893,904)
– share of unrealised gains reserve of jointly controlled entities	8,445	94,071
– impairment of investment in jointly controlled entities	(800,000)	–
– disposal of jointly controlled entities	–	(1,521,197)
Balance at the end of the year	**30,633,054**	**29,697,032**
(ii) Share of jointly controlled entities' balance sheet		
Current assets	30,599,085	25,970,702
Non-current assets	846,150	1,687,365
Current liabilities	(12,988,995)	(12,013,188)
Non-current liabilities	(1,598,177)	(2,422,330)
Net assets	**16,858,063**	**13,222,549**
(iii) Share of jointly controlled entities' revenues		
Revenues	36,367,614	30,200,085
(iv) Share of jointly controlled entities' net income		
Profit before income tax	21,500,212	16,406,994
Income tax expense	(6,450,063)	(4,922,098)
Profit after income tax	**15,050,149**	**11,484,896**

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

During the prior year, Treasury Group Ltd increased its ownership by an additional 47.8% 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 77.8% 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 2013 $	Consolidated 2012 $
Furniture & fittings			
At cost		12,082	12,082
Accumulated depreciation		(3,445)	(1,214)
	14 (a)	**8,637**	**10,868**
Office equipment			
At cost		419,603	415,123
Accumulated depreciation		(367,557)	(340,042)
	14 (a)	**52,046**	**75,081**
Leasehold improvements			
At cost		12,089	5,960
Accumulated depreciation		(2,502)	(197)
	14 (a)	**9,587**	**5,763**
Total		**70,270**	**91,712**
a. Reconciliations			
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.			
Furniture & fittings			
Opening balance		10,868	40,124
Additions		–	9,898
Depreciation expense		(2,231)	(5,102)
Disposal		–	(34,052)
Closing balance		**8,637**	**10,868**
Office equipment			
Opening balance		75,081	94,835
Additions		4,480	27,629
Depreciation expense		(27,515)	(29,177)
Disposal		–	(18,206)
Closing balance		**52,046**	**75,081**
Leasehold improvements			
Opening balance		5,763	6,441
Additions		6,129	5,960
Depreciation expense		(2,305)	(2,130)
Disposal		–	(4,508)
Closing balance		**9,587**	**5,763**

15. Intangibles

	Note	Consolidated 2013 $	Consolidated 2012 $
Software			
At cost		121,779	121,779
Accumulated amortisation		(103,339)	(87,422)
	15(a)	**18,440**	**34,357**

a. Reconciliations

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

Software			
Opening balance		34,357	45,087
Additions		–	10,133
Amortisation expense		(15,917)	(20,863)
Closing balance		**18,440**	**34,357**

16. Goodwill

Cost		583,888	583,888
Accumulated impairment losses	16(a)	(331,124)	–
		252,764	**583,888**

The balance of goodwill had been determined using a discounted cash flow analysis which projects future cash value of the asset.

a. Impairment losses on goodwill

Opening losses, beginning balance		–	–
Impairment charges	5(c)	(331,124)	–
Opening losses, closing balance		**(331,124)**	**–**

17. Trade and Other Payables (Current)

Trade payables		946,759	395,927
Other payables		941,552	1,154,582
Related party payables:			
– jointly controlled entities		3,973,671	1,273,162
		5,861,982	**2,823,671**

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 28.

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.

18. Employee Provisions

	Note	Consolidated 2013 $	Consolidated 2012 $
Current			
Provision for annual leave, beginning balance		143,131	295,889
Provisions during the year		127,986	133,503
Annual leave taken		(57,915)	(286,261)
Provision for annual leave, closing balance		**213,202**	**143,131**
Non-Current			
Provision for long service leave, beginning balance		77,194	132,433
Provisions during the year		22,456	91,524
Long service leave taken		–	(146,763)
Provision for long service leave, closing balance		**99,650**	**77,194**

19. Financial Liability

Current	**600,000**	–
Non-Current	**–**	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.

20. Contributed Equity and Reserves

	2013 $	2012 $
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			
	2013		2012	
	Number of shares	$	Number of shares	$
Balance at beginning of the financial year	23,070,755	29,594,265	23,070,755	29,594,265
Balance at end of the financial year	**23,070,755**	**29,594,265**	23,070,755	29,594,265

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 2013, management paid dividends of $8,536,179 (2012: $7,844,058). 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.

d. Long term incentives- performance rights

On 1 July 2012, Treasury Group Ltd granted additional 39,007 performance rights which have vesting date of 1 July 2015 (2012: 816,749 granted on 12 July 2011 and have vesting date of 11 July 2014) to officers and certain employees as part of their long term incentives. 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, 9,375 (2012: 154,517) issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,092,009 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $373,479 (2012:$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	
	2013 $	2012 $
e. Retained profits		
Balance at the beginning of the year	25,788,684	26,880,985
Profit for the year	10,390,514	6,751,757
Dividends	(8,536,179)	(7,844,058)
Balance at end of year	**27,643,019**	**25,788,684**

	Consolidated	
	2013 $	2012 $
f. Reserves		
Net unrealised gains reserve		
Balance at the beginning of the year	(542,846)	(12,658)
Reversal of previous revaluation of available-for-sale investments sold during the year	775,492	(8,643)
Income tax relating to reversal of previous revaluation of available-for-sale investments sold during the year	(232,646)	2,593
Net unrealised gains/(losses) on available for sale investments	375,790	(898,998)
Income tax relating to unrealised gains/(losses) on available-for-sale investment	(112,737)	269,699
Share of after-tax gain on available for sale investments of jointly controlled entities	113,606	105,161
Balance at end of year	**376,659**	**(542,846)**
Share options reserve		
Balance at the beginning of year	3,073,807	2,722,698
Share-based payments, net of reversal	368,164	345,794
Share-based payments recharged to related parties	5,315	5,315
Balance at end of year	**3,447,286**	**3,073,807**
Total Reserves	**3,823,945**	**2,530,961**

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 23 for further details of these plans.

Notes to the Financial Statements cont.

21. 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	
	2013 $	2012 $
Segment profit after tax for the year		
– Outsourcing and responsible entity services	830,764	313,976
– Australian equities	7,069,305	6,663,441
– Alternative investments	8,056,603	4,821,454
	15,956,672	11,798,871
– Central administration costs and directors' salaries	(5,552,433)	(5,044,643)*
Total per Income Statement	**10,404,239**	**6,754,228**
Segment net assets for the year		
– Outsourcing and responsible entity services	5,960,548	5,101,808
– Australian equities	11,850,754	11,758,538
– Alternative investments	6,712,478	3,051,946
	24,523,780	19,912,292
– Central administration	36,553,645	38,004,089
Total per Statement of Financial Position	**61,077,425**	**57,916,381**

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.

* Prior year includes costs related to the restructure of the GVI and AR Capital businesses. Refer to Director's Report for abnormal items in relation to restructure of these businesses.

22. Commitments and Contingencies

Operating lease commitments

The Group has entered into commercial property leases to meet its office accommodation requirements. These non-cancellable leases have remaining term of four years as at 30 June 2013. 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	
	2013 $	2012 $
Future minimum rentals:		
Minimum lease payments		
– not later than one year	316,720	572,434
– later than one year and not later than five years	906,339	2,005,993
Aggregate lease expenditure contracted for at reporting date	**1,223,059**	**2,578,427**
Amounts not provided for:		
– rental commitments	1,223,059	2,578,427
Total not provided for	**1,223,059**	**2,578,427**
Aggregate lease expenditure contracted for at reporting date	**1,223,059**	**2,578,427**

23. Employee Benefits and Superannuation Commitments

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.

On 1 July 2012, Treasury Group Ltd granted additional 39,007 performance rights which have vesting date of 1 July 2015 (2012: 816,749 granted on 12 July 2011 and have vesting date of 11 July 2014) to officers and certain employees as part of their long term incentives. 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, 9,375 (2012: 154,517) issued performance rights lapsed and have been terminated. Total value of the remaining performance rights is $1,092,009 amortised over three years from the grant date. The amount of performance rights amortisation expense for the period was $373,479 (2012:$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 2 and 10 years. Employees have to be employed by the consolidated group while taking part in the plan. There are 17 employees eligible to participate in the plan. Shares acquired under the Employee Share Plan vest immediately. During the year, 4,360 (2012: 4,291) shares were purchased under the plan at a weighted average cost of $4.91 (2012: $4.11). The balance as at 30 June 2013 was 46,751 shares (2012: 45,736). During the year, 4,360 shares vested (2012: 4,291) and 3,345 shares were sold (2012: 42,672). The weighted average cost of all shares is $7.37 (2012: $7.72) per share.

24. Subsequent Events

On 7 August 2013, Mr. Andrew Howard was appointed as Chief Investment Officer of Treasury Group Ltd.

On 21 August 2013, the Directors of Treasury Group Ltd declared a final dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is $5,306,274 which represents a fully franked dividend of 23 cents per share. The dividend has not been provided for in the 30 June 2013 financial statements.

Notes to the Financial Statements cont.

25. Earnings Per Share

	Consolidated 2013 $	Consolidated 2012 $
Net profit attributable to ordinary equity holders of the parent	10,390,514	6,751,757
	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	45.0	29.3
diluted for profit for the year attributable to ordinary equity holders of the parent	45.0	29.3

Options do not have a dilutive affect 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 vesting conditions of these rights have not been met as at 30 June 2013.

26. Key Management Personnel Disclosures

a. Details of Key Management Personnel

i. Directors

M. Fitzpatrick	Chairman (Non–Executive)
P. Kennedy	Director (Non–Executive)
R. Hayes	Director (Non–Executive)
M. Donnelly	Director (Non–Executive)

ii. Executives

A. McGill	Chief Executive Officer
J. Ferragina	Chief Financial Officer

b. Compensation for Key Management Personnel

	Consolidated 2013 $	Consolidated 2012 $
Short–term	1,619,580	2,060,621
Post employment	55,440	84,305
Share–based payments	349,866	339,323
Total remuneration	**2,024,886**	**2,484,249**

For 2013 KMP bonuses, 50% is deferred and payable in the following year. The deferred component is not provided for as at 30 June 2013.

b. Performance rights holdings of Key Management Personnel

30 June 2013	Balance at 1 July 2012	Granted as remuneration	Performance rights exercised	Performance rights lapsed	Balance at 30 June 2013	Total vested and exercisable at 30 June 2013*
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
Total	**640,000**	**–**	**–**	**–**	**640,000**	**640,000**

* Performance rights are exercisable once vested.

b. Performance rights holdings of Key Management Personnel

30 June 2012	Balance at 1 July 2011	Granted as remuneration	Performance rights exercised	Performance rights 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						
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.

26. Key Management Personnel Disclosures (Cont.)

c. Share Holdings of Key Management Personnel

30 June 2013	Balance 1 July 2012	Granted as remuneration	On exercise of options	Net change other #	Balance 30 June 2013
Ordinary shares held in Treasury Group Ltd					
Directors					
M. Fitzpatrick	2,701,285	–	–	–	2,701,285
P. Kennedy	211,200	–	–	2,287	213,487
R. Hayes	–	–	–	–	–
M. Donnelly	–	–	–	–	–
Executives					
A. McGill	50,000	–	–	–	50,000
J. Ferragina	22,404	–	–	–	22,404
Total	**2,984,889**	**–**	**–**	**2,287**	**2,987,176**

30 June 2012	Balance 1 July 2011	Granted as remuneration	On exercise of options	Net change other #	Balance 30 June 2012
Ordinary shares held in Treasury Group Ltd					
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	–	–	6,617	22,404
Total	2,898,722	–	–	86,167	2,984,889

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.

d. Transactions with director-related entity

Details of the transactions with Director-related entities are set out in Note 28. All transactions were conducted on commercial terms.

e. Loans to key management employees

No loans have been advanced to key management employees at any stage during the financial year ended 30 June 2013 (2012: $Nil).

27. Auditor's Remuneration

	Consolidated 2013 $	Consolidated 2012 $
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	197,587	215,644
– non-audit services to the entity and any other entity in the consolidated group	79,559	156,917
	277,146	**372,561**

28. 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 2013	Percentage of equity interest held by the consolidated entity 2012
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	100
Treasury Evergreen Pty Limited	100	100
AR Capital Management Pty Ltd	77.8	77.8

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 (2012: $Nil) and $343,750 (2012: $1,675,839) in repayments were received, repaying the outstanding loan. 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.

Notes to the Financial Statements cont.

29. Parent Entity Disclosure

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

i. Financial Performance

	2013 $	2012 $
Profit for the year	8,352,207	6,916,885
Other comprehensive income for the year (net of tax)	859,334	(624,257)
Total comprehensive income	**9,211,541**	**6,292,628**
ii. Financial Position		
Assets		
Current assets	9,258,596	5,473,118
Non-current assets	38,538,683	41,092,533
Total assets	**47,797,279**	**46,565,651**
Liabilities		
Current liabilities	1,417,581	688,911
Non-current liabilities	67,733	637,365
Total liabilities	**1,485,314**	**1,326,276**
Equity		
Issued capital	29,594,265	29,594,265
Retained earnings	13,035,337	13,219,310
Reserves		
Share options	3,447,286	3,073,807
Net unrealised (losses)/gains reserve	235,077	(648,007)
Total equity	**46,311,965**	**45,239,375**

Director's 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 2013 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 2013.

On behalf of the Board

M Fitzpatrick
Chairman

21 August 2013

Independent Audit Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Treasury Group Ltd

Report on the Financial Report

We have audited the accompanying financial report of Treasury Group Ltd, which comprises the statement of financial position as at 30 June 2013, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 on pages 32 to 73.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been

Deloitte.

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21 August 2013

given to the directors of Treasury Group Ltd 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 Ltd is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 30 June 2013. 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 Ltd for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 21 August 2013

ASX Additional Information

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

a. Distribution of equity securities (as at 31 July 2013)

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	1,073	630,828
1,001 – 5,000	1,286	3,332,336
5,001 – 10,000	259	1,864,251
10,001 – 100,000	155	4,162,696
100,001 and over	24	13,080,644
	2,797	23,070,755
The number of shareholders holding less than a marketable parcel of shares are:	49	835

b. Twenty largest shareholders (as at 31 July 2013)

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	1,653,125	7.17
3	Citicorp Nominees Pty Ltd	1,378,705	5.98
4	Kattag Holdings Pty Ltd	1,090,041	4.72
5	UBS Wealth Management Australia Nominees Pty Ltd	1,083,548	4.70
6	Mr Timothy Gerard Ryan	840,000	3.64
7	JP Morgan Nominees Australia Limited	651,315	2.82
8	Mr Michael Brendan Patrick De Tocqueville	480,000	2.08
9	BNP Paribas Nominees Pty Ltd ACF Pengana <DRP A/C>	461,364	2.00
10	National Nominees Limited	384,837	1.67
11	Banson Nominees Pty Ltd	370,313	1.61
12	Top Pocket Pty Ltd	275,000	1.19
13	HFM Investments Pty Ltd	250,000	1.08
14	Merrill Lynch (Australia) Nominees Pty Limited	234,137	1.01
15	DSBH Pty Ltd <Cooper Family A/C>	227,919	0.99
16	Penswood Pty Ltd <Penswood Super Fund Account>	199,000	0.86
17	Bond Street Custodians Limited <Ganes Value Growth A/C>	182,031	0.79
18	29th Marsupial Pty Ltd <The Blue Chip Unit A/C>	172,050	0.75
19	HSBC Custody Nominees (Australian) Limited	143,201	0.62
20	BNP Paribas Noms Pty Ltd <DRP>	138,500	0.60
		12,616,586	**54.69**

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
Perpetual Limited	1,653,125

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

A. McGill

Company Secretary

R. Ramswarup

Registered Office

Level 14
39 Martin Place
Sydney, NSW, 2000
Phone (02) 8243 - 0400
Facsimile (02) 8243 - 0410

Bankers

Westpac Banking Corporation

Share Register

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

Auditors

Deloitte Touche Tohmatsu

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