

Treasury Group Ltd

## Annual Report 2003

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# Corporate Information

ABN 39 006 708 792

## Directors

L.D.P. IaFrate (Chairman)  
R. Green (Managing Director)  
T. Poole  
P. Kennedy (Appointed 4 June 2003)  
M. de Tocqueville (Retired 14 August 2002)

## Company Secretary

R. Kipp

## Strategic Investment Manager

D. Cooper

## Group Accountant

H. Lam

## Registered Office

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Phone (03) 9671 - 3667  
Facsimile (03) 9639 - 0311

## Sydney Office

Level 23  
1 Alfred Street  
Sydney, NSW, 2000  
Phone (02) 8247 - 8222  
Facsimile (02) 8247 - 8110

## Solicitors

Norton Gledhill

## Bankers

Westpac Banking Corporation

## Share Register

Computershare  
Level 12  
565 Bourke Street  
Melbourne, Victoria, 3000  
(03) 9611 - 5711

## Auditors

Ernst & Young

## Internet Address

[www.treasury-group.com](http://www.treasury-group.com)

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## Directors' Report

Your directors submit their report for the year ended 30 June 2003.

### DIRECTORS

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

#### Names, qualifications, experience and special responsibilities

**Lee Darion Peter IaFrate**, (Chairman) B.Bus (Acc) Grad. Dip of App. Fin. and Inv., ACPA, FSIA, MSDIA

L. IaFrate has 19 years experience in sharebroking, predominantly focusing on corporate and institutional broking, i.e mergers and acquisitions, capital raisings and corporate advisory. Mr L. IaFrate is also the Chairman of Armytage private Ltd.

**Rodney Green**, (Managing Director) Aust Chartered Accountant & Associate Member of Securities Institute

R. Green has over 26 years experience in the financial services industry. Prior to joining Treasury Group Limited Mr R. Green was the Chief Executive Officer (CEO) of Perpetual Investments Ltd with total funds under management of \$15 billion.

**Timothy Michael Poole**, (Non Executive Director) B.Com, ACA

T. Poole has been involved in the financial services industry for more than 13 years. He is currently an Associate Director with the alternative investment firm Hastings Funds Management Limited, where Tim is responsible for the operation of the Hastings private equity business. Mr T. Poole is also a member of the audit committee.

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

P. Kennedy joined the board on 4 June 2003. He is a senior partner with Madgwick lawyers and has over 30 years experience in commercial law. He is also a member of the audit committee.

**Michael Brendan Patrick de Tocqueville**, (Non Executive Director) S.I.A, (AFF), F.A.I.C.D.

M. de Tocqueville a director since 1998 has had over 16 years experience in financial planning and sharebroking. He was also the Managing Director of Armytage private Ltd until his retirement as a director on the 14 August 2002.

### COMPANY SECRETARY

**Robert Kipp**, B.Bus (Acc) B.Bus (Mark) F.C.P.A M.A.I.C.D.

R Kipp has been the company secretary and Chief Financial Officer (CFO) of Treasury Group Limited for 2 years. Mr R. Kipp has over 18 years commercial experience and prior to joining Treasury Group Ltd has held several senior position in finance including senior partner in public practice.

## Directors' Report continued

### Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Treasury Group Limited were:

|   | Ordinary<br>Shares | Options over<br>Ordinary<br>Shares |
|---|--------------------|------------------------------------|
| L.D.P. IaFrate  | 1,549,000          | 500,000                            |
| R. Green  | 1,205,000          | 1,800,000                          |
| T.M. Poole  | 12,000             | -                                  |
| P.R. Kennedy  | -                  | -                                  |
| <br>  |                    |                                    |
| <b>EARNINGS PER SHARE</b>                                     |                    | <b>Cents</b>                       |
| Basic earnings per share                                      |                    | 8.0                                |
| Diluted earnings per share                                    |                    | 6.0                                |
| <br>  |                    |                                    |
| <b>DIVIDENDS</b>  | <b>Cents</b>       | <b>\$</b>                          |
| Final dividend recommended:                                   |                    |                                    |
| ■ on ordinary shares (fully franked)                          | 3.0                | <u>452,663</u>                     |
| <br>  |                    |                                    |
| Dividend paid in the year:                                    |                    |                                    |
| <i>Interim for the year</i>                                   |                    |                                    |
| ■ on ordinary shares  | -                  | <u>-</u>                           |
| <br>  |                    |                                    |
| <i>Final for 2002 shown as recommended in the 2002 report</i> |                    |                                    |
| ■ on ordinary shares (fully franked)                          | 1.0                | <u><u>141,659</u></u>              |

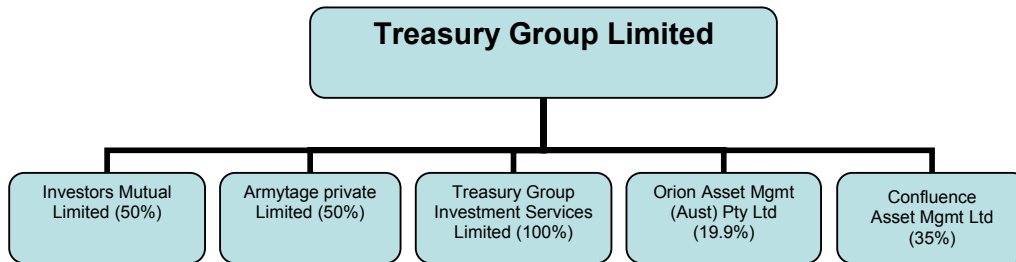
## Directors' Report continued

### CORPORATE INFORMATION

#### Corporate structure

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

### Treasury Group Limited Corporate Structure



- (i) Orion Asset Management (Aust) Pty Ltd is not a controlled entity, it is treated as an associate accordingly. Its financial result is included on an equity accounting basis during the financial year.
- (ii) Confluence Asset Management Ltd became an associate since 10 July 2003. Its financial result for the financial year ended 30 June 2003 is not included in the financial report accordingly.

#### 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 32 employees as at 30 June 2003 (2002: 23 employees).

# Directors' Report continued

## REVIEW AND RESULTS OF OPERATIONS

### Group Overview

#### Funds Management

Investors Mutual Limited provides a funds management capability to both corporate investors and the retail community. The consolidated entity holds 50% of the issued capital of the company. Investors Mutual Limited has been awarded best Australian Equities Fund Manager for the consecutive years of 2002 and 2003 by Money Management/ASSIRT.

Armytage private Ltd currently provides a professional investment service to high net worth individuals, families, superannuation funds and institutions, on a mandated discretionary basis. The consolidated entity holds 50% of share capital of this entity.

Orion Asset Management Ltd, a wholly-owned controlled entity of Orion Asset Management (Aust) Pty Ltd, officially commenced operation as a fund manager from February 2003. It provides funds management services to a range of institutions. The consolidated entity holds 19.9% of the issued capital of its parent company and has equity accounted for this investment taking up a loss of \$151,166 in respect of its interest in this entity, which was in line with budgeted expectations for a business in its start up phase of operations.

#### Administration & Compliance Services

Treasury Group Investment Services Ltd, a wholly-owned controlled entity of Treasury Group Limited, was set up in December 2002 to provide support services to fellow controlled entities and associates, including accounting, legal, compliance, human resources, corporate secretarial, information technology and administration services.

#### Investment Activities

The group maintains an investment portfolio. These investments were held by Treasury Capital Management Pty Ltd until they were transferred to Treasury Group Limited on the 30 September 2002.

### Operating Results for the Year

The consolidated net profit attributable to members of Treasury Group Limited amounted to \$1,161,572 (2002: \$259,146).

### Earnings Per Share

The group is pleased to report that the earnings is reflecting the many initiatives put in place by management. This is reflected in the significant growth experienced over the past twelve months.

|                                    | 2003 | 2002 | 2001 |
|------------------------------------|------|------|------|
| Basic earning per share (cents)    | 8.0  | 2.2  | 1.3  |
| Diluted earnings per share (cents) | 6.0  | 1.7  | 1.3  |

### Risk Management

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of this process, and as such the board has not established a separate risk management committee. Instead all board members are involved in the risk management process.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of an investment review panel with the express purpose of examining new asset management opportunities for the group.

## Directors' Report continued

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, Group Funds Management Pty Ltd changed its name to Orion Asset Management (Aust) Pty Ltd and secured the services of an experienced investment management team. Through a series of call options Treasury Group Limited is able to increase its interest in Orion Asset Management (Aust) Pty Ltd to 49%.

In November 2002, Treasury Group Limited raised \$962,000 of capital through a private placement of 185,000 fully paid ordinary shares at \$5.20 per share.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 10 July 2003, Treasury Group Limited entered into an agreement with Mr Campbell Boag, in which Treasury Group Limited acquired 35% of the issued capital of Confluence Asset Management Ltd. Confluence Asset Management Ltd is a newly established funds management business which specialises in the small capitalisation segment of the funds management industry. Mr Boag and his investment team hold the other 65% of issued capital. Mr Boag is a highly respected fund manager within the financial services industry and is the Managing Director of Confluence Asset Management Ltd.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

### ENVIRONMENTAL REGULATION AND PERFORMANCE

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

### SHARE OPTIONS

#### Unissued shares

As at the date of this report, there were 7,607,832 unissued ordinary shares under options (7,941,165 at reporting date). Further details of the options outstanding to employees are included in Note 22 to the financial report.

#### Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised their options to acquire 343,002 fully paid ordinary shares of Treasury Group Limited at a weighted average exercise price of \$0.65. Since the end of the financial year, a further 58,333 options have been exercised at a weighted average exercise price of \$0.65.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Since the end of the financial year the group has entered into an agreement for the purpose of indemnifying directors and officers of the company against all losses and liabilities incurred by the directors or officers on behalf of the company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity:

- (a) A liability owed to the company or related body corporate;
- (b) A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act;
- (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.

During the financial year, the company has paid an insurance premium of \$16,768 in respect of a contract insuring officers of the company against a liability which may be incurred in that person's capacity as an officer of the company.



## Directors' Report continued

### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

#### Remuneration policy

The full Board is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The Board 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.

Details of the nature and amount of each element of the emolument of each director of the company and each of the four executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

#### Emoluments\* of directors of Treasury Group Limited and the co

|                   | <u>Annual Emoluments</u> |             |                         | <u>Long Term Emoluments</u>                     |                      |                |                           |                      |
|-------------------|--------------------------|-------------|-------------------------|---|----------------------|----------------|---------------------------|----------------------|
|                   | Salary<br>\$             | Bonus<br>\$ | Directors<br>Fees<br>\$ | Termin-<br>ation &<br>Similar<br>Payments<br>\$ | Options Granted @    |                | Super-<br>annuation<br>\$ |                      |
|                   |                          |             |                         |   | Number               | \$             |                           | % of<br>Remuneration |
| L. IaFrate        | -                        | -           | 1,529                   | -   | -                    | -              | -                         | 137                  |
| R. Green          | 439,200                  | -           | -                       | -   | 900,000 <sup>^</sup> | - <sup>^</sup> | -                         | 10,800               |
| T. Poole          | -                        | -           | 1,529                   | -   | -                    | -              | -                         | 137                  |
| P. Kennedy        | -                        | -           | 1,666                   | -   | -                    | -              | -                         | -                    |
| M. de Tocqueville | -                        | -           | -                       | -   | -                    | -              | -                         | -                    |

#### Emoluments\* of the five most highly paid executive officers# of the company and the consolidated entity

|                | <u>Annual Emoluments</u> |             |             | <u>Long Term Emoluments</u>                     |                        |                     |                           |
|----------------|--------------------------|-------------|-------------|---|------------------------|---------------------|---------------------------|
|                | Base Fee<br>\$           | Bonus<br>\$ | Other<br>\$ | Termin-<br>ation &<br>Similar<br>Payments<br>\$ | Options Granted @      |                     | Super-<br>annuation<br>\$ |
|                |                          |             |             |   | Number                 | \$                  |                           |
| A. Tagliaferro | 179,862                  | -           | -           | -   | 1,500,000 <sup>^</sup> | - <sup>^</sup>      | 35,138                    |
| C. Byrne       | 186,981                  | -           | -           | -   | 50,000 <sup>^</sup>    | 82,850 <sup>^</sup> | 10,519                    |
| D. Cooper      | 127,734                  | -           | -           | -   | 1,000,000              | 797,347             | 11,496                    |
| R. Kipp        | 110,001                  | -           | -           | -   | 150,000 <sup>^</sup>   | 15,144 <sup>^</sup> | 9,999                     |
| C. McComb      | 66,514                   | -           | -           | -   | 50,000                 | 72,198              | 5,986                     |

#### Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

\* The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity, except for options issued.

@ Options granted as part of remuneration have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, volatility of the underlying share price and the time to maturity of the option. Option variables include a volatility rate of 0.5406, a risk free rate of 4.99% and other variables as disclosed in Note 22 to the financial report.

# Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

<sup>^</sup> Options were granted in prior years and their values have been disclosed in accordance with Australian Securities & Investments Commission guidelines on valuing options in 30 June 2003 director's reports.

## Directors' Report continued

### 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<br>Meeting | Audit Committee<br>Meetings |
|-------------------------------------|----------------------|-----------------------------|
| <b>Number of meetings held:</b>     | 12                   | 2                           |
| <hr/>                               |                      |                             |
| <b>Number of meetings attended:</b> |                      |                             |
| L. IaFrate                          | 12                   | 2                           |
| R. Green                            | 12                   | 2                           |
| T. Poole                            | 12                   | 2                           |
| P. Kennedy (+)                      | 2                    | -                           |
| M. de Tocqueville (*)               | -                    | -                           |

#### Notes

- \* M. de Tocqueville was entitled to attend one directors' meetings prior to his resignation.
- + P. Kennedy attended all directors' meetings held since his appointment to the board. Mr Kennedy was also appointed to the Audit Committee however no meetings were conducted since the date of his appointment.

### TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group. Members of the group have proposed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities on a pro-rata basis. In addition the proposed agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Treasury Group Limited support the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the directors.



L. IaFrate  
Director

Melbourne, 28 August 2003

## Corporate Governance Statement

The Board of Directors of Treasury Group Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Treasury Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

### Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- The Board is comprised of a chairman, a managing director and two non-executive directors;
- The Board should comprise directors with an appropriate range of qualifications and expertise; and
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

| <i>Name</i> | <i>Position</i>        |
|-------------|------------------------|
| L. IaFrate  | Chairman               |
| R. Green    | Managing Director      |
| T. Poole    | Non-Executive Director |
| P. Kennedy  | Non-Executive Director |

### Audit Committee

The Board has established an audit committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The company's desire to adopt the ASX principles of good corporate governance and best practice recommendations has meant the composition of the committee has changed to ensure compliance with the new principles. As at the date of this report, all audit committee members are non-executive directors.

The members of the audit committee during the year were:

- L. IaFrate (resigned 4 June 2003)
- R. Green (resigned 4 June 2003)
- T. Poole
- P. Kennedy (appointed 4 June 2003)

The audit committee is also responsible for:

- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

## Corporate Governance Statement

### Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the managing director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the managing director and the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to audit committee function referred to above, these mechanisms include the following:

- Board approval of a strategic plan designed to meet stakeholders' needs and to manage business risk;
- implementation of operating plans and budgets by management and Board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense; and
- establishment of an investment committee which is responsible for the review and approval of acquisitions and investments in new businesses, and the approval of contracts and financing arrangements within defined limits.

### Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report placed on public record with the ASX and the Treasury Group Ltd website; and
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

## Statement of Financial Performance

| YEAR ENDED 30 JUNE 2003   | Notes | CONSOLIDATED       |             | TREASURY GROUP LIMITED |           |
|---|-------|--------------------|-------------|------------------------|-----------|
|   |       | 2003               | 2002        | 2003                   | 2002      |
|   |       | \$                 | \$          | \$                     | \$        |
| <b>REVENUES FROM ORDINARY ACTIVITIES</b>  | 2     | <b>11,773,469</b>  | 5,927,272   | <b>1,869,539</b>       | 1,009,388 |
| Salaries and employee benefits expenses   |       | <b>(3,268,772)</b> | (2,029,974) | <b>(660,141)</b>       | (391,913) |
| Fund administration fees  |       | <b>(903,286)</b>   | (1,108,979) | <b>(12,507)</b>        | -         |
| Other expenses from ordinary activities   | 3(a)  | <b>(2,324,999)</b> | (1,692,922) | <b>(432,336)</b>       | (308,350) |
| Share of net losses of associate accounted for using the equity method  | 3(b)  | <b>(151,166)</b>   | (21,596)    | -                      | -         |
| <b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>  |       | <b>5,125,246</b>   | 1,073,801   | <b>764,555</b>         | 309,125   |
| Income tax expense attributable to ordinary activities  | 4     | <b>(1,828,315)</b> | (363,378)   | -                      | -         |
| <b>NET PROFIT</b>   |       | <b>3,296,931</b>   | 710,423     | <b>764,555</b>         | 309,125   |
| Net profit attributable to outside equity interest  | 19    | <b>(2,135,359)</b> | (451,277)   | -                      | -         |
| <b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED</b>   | 18    | <b>1,161,572</b>   | 259,146     | <b>764,555</b>         | 309,125   |
| Share issue costs   | 17    | <b>(1,806)</b>     | (20,403)    | <b>(1,806)</b>         | (20,403)  |
| <b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED AND RECOGNISED DIRECTLY IN EQUITY</b>       |       | <b>(1,806)</b>     | (20,403)    | <b>(1,806)</b>         | (20,403)  |
| <b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED</b> |       | <b>1,159,766</b>   | 238,743     | <b>762,749</b>         | 288,722   |
| Basic earnings per share (cents per share)  | 24    | <b>8.0</b>         | 2.2         |                        |           |
| Diluted earnings per share (cents per share)  | 24    | <b>6.0</b>         | 1.7         |                        |           |
| Franked dividends per share (cents per share)   | 5     | <b>3.0</b>         | 1.0         |                        |           |

## Statement of Financial Position

| AT 30 JUNE 2003                                   | Notes | CONSOLIDATED      |                   | TREASURY GROUP LIMITED |                  |
|---|-------|-------------------|-------------------|------------------------|------------------|
|   |       | 2003              | 2002              | 2003                   | 2002             |
|   |       | \$                | \$                | \$                     | \$               |
| <b>CURRENT ASSETS</b>                             |       |                   |                   |                        |                  |
| Cash assets                                       | 20(b) | 6,778,980         | 2,829,168         | 1,012,274              | 1,821,398        |
| Receivables                                       | 6     | 4,211,718         | 2,180,282         | 1,475,455              | 388,051          |
| Tax assets  | 4     | 49,586            | 24,442            | -                      | -                |
| Other financial assets                            | 7     | 910,252           | 895,948           | -                      | -                |
| Other   | 8     | 169,981           | 125,220           | 96,303                 | -                |
| <b>TOTAL CURRENT ASSETS</b>                       |       | <b>12,120,517</b> | <b>6,055,060</b>  | <b>2,584,032</b>       | <b>2,209,449</b> |
| <b>NON-CURRENT ASSETS</b>                         |       |                   |                   |                        |                  |
| Receivables                                       | 9     | 1,284,539         | 109,642           | 1,646,941              | 1,499,555        |
| Other financial assets                            | 10    | 1,163,255         | 1,270,341         | 6,774,625              | 3,720,463        |
| Investments accounted for using the equity method | 11    | 1,152,004         | 542,545           | -                      | -                |
| Plant and equipment                               | 13    | 266,416           | 248,021           | 92,578                 | 73,894           |
| Intangible assets                                 | 14    | 1,902,823         | 1,900,750         | 140,886                | 60,000           |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |       | <b>5,769,037</b>  | <b>4,071,299</b>  | <b>8,655,030</b>       | <b>5,353,912</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>17,889,554</b> | <b>10,126,359</b> | <b>11,239,062</b>      | <b>7,563,361</b> |
| <b>CURRENT LIABILITIES</b>                        |       |                   |                   |                        |                  |
| Payables  | 15    | 1,432,388         | 975,528           | 1,163,523              | 111,366          |
| Current tax liabilities                           | 4     | 1,661,392         | 337,252           | -                      | -                |
| Provisions  | 16    | 1,981,860         | 377,563           | 489,504                | 156,466          |
| <b>TOTAL CURRENT LIABILITIES</b>                  |       | <b>5,075,640</b>  | <b>1,690,343</b>  | <b>1,653,027</b>       | <b>267,832</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>5,075,640</b>  | <b>1,690,343</b>  | <b>1,653,027</b>       | <b>267,832</b>   |
| <b>NET ASSETS</b>                                 |       | <b>12,813,914</b> | <b>8,436,016</b>  | <b>9,586,035</b>       | <b>7,295,529</b> |
| <b>EQUITY</b>                                     |       |                   |                   |                        |                  |
| Parent entity interest                            |       |                   |                   |                        |                  |
| Contributed equity                                | 17    | 10,874,882        | 8,894,945         | 10,874,882             | 8,894,945        |
| Accumulated losses                                | 18    | (1,031,685)       | (1,739,271)       | (1,288,847)            | (1,599,416)      |
| Total parent entity interest in equity            |       | 9,843,197         | 7,155,674         | 9,586,035              | 7,295,529        |
| Total outside equity interest                     | 19    | 2,970,717         | 1,280,342         | -                      | -                |
| <b>TOTAL EQUITY</b>                               |       | <b>12,813,914</b> | <b>8,436,016</b>  | <b>9,586,035</b>       | <b>7,295,529</b> |

## Statement of Cash Flows

| YEAR ENDED 30 JUNE 2003                            | Notes | CONSOLIDATED       |             | TREASURY GROUP LIMITED |             |
|--|-------|--------------------|-------------|------------------------|-------------|
|  |       | 2003               | 2002        | 2003                   | 2002        |
|  |       | \$                 | \$          | \$                     | \$          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>        |       |                    |             |                        |             |
| Receipts from customers                            |       | <b>10,883,251</b>  | 4,728,252   | <b>302,666</b>         | 248,768     |
| Payments to suppliers and employees                |       | <b>(6,427,266)</b> | (4,850,691) | <b>(1,156,293)</b>     | (572,933)   |
| Dividends received                                 |       | <b>38,848</b>      | 29,361      | <b>238,955</b>         | -           |
| Interest received                                  |       | <b>210,615</b>     | 75,665      | <b>99,805</b>          | 26,466      |
| Borrowing costs                                    |       | <b>(11,890)</b>    | -           | -                      | -           |
| Income tax paid                                    |       | <b>(473,030)</b>   | (38,503)    | -                      | -           |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | 20(a) | <b>4,220,528</b>   | (55,916)    | <b>(514,867)</b>       | (297,699)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>        |       |                    |             |                        |             |
| Proceeds from sale of plant and equipment          |       | <b>2,700</b>       | -           | -                      | -           |
| Purchase of plant and equipment                    |       | <b>(156,706)</b>   | (228,711)   | <b>(37,940)</b>        | (80,700)    |
| Proceeds from sale of shares and units             |       | <b>2,238,780</b>   | 7,125,271   | <b>1,191,940</b>       | -           |
| Payments for shares and units                      |       | <b>(2,072,896)</b> | (6,505,503) | <b>(975,416)</b>       | -           |
| Repayment from controlled entity                   |       | -                  | -           | <b>589,356</b>         | -           |
| Advances to controlled entities                    |       | -                  | -           | <b>(903,898)</b>       | -           |
| Advances to associate                              |       | <b>(1,093,007)</b> | (109,642)   | <b>(1,093,007)</b>     | (109,642)   |
| Payment for investment in controlled entities      | 20(e) | <b>(84,696)</b>    | (893,233)   | <b>(259,061)</b>       | (1,247,461) |
| Loss of control of controlled entity               | 20(f) | <b>(93,727)</b>    | -           | -                      | -           |
| Payment for investment in associate                |       | <b>(84,185)</b>    | -           | <b>(84,185)</b>        | -           |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES |       | <b>(1,343,737)</b> | (611,818)   | <b>(1,572,211)</b>     | (1,437,803) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>        |       |                    |             |                        |             |
| Proceeds from issues of ordinary shares            |       | <b>1,422,743</b>   | 2,684,597   | <b>1,422,743</b>       | 2,684,597   |
| Payment of share issue costs                       |       | <b>(1,806)</b>     | -           | <b>(1,806)</b>         | -           |
| Advances from director related entity              |       | <b>400,000</b>     | -           | -                      | -           |
| Repayment to director related entity               |       | <b>(400,000)</b>   | -           | -                      | -           |
| Payment of dividends on ordinary shares            |       | <b>(347,916)</b>   | (105,310)   | <b>(142,983)</b>       | (45,310)    |
| NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES |       | <b>1,073,021</b>   | 2,579,287   | <b>1,277,954</b>       | 2,639,287   |
| NET INCREASE/(DECREASE) IN CASH HELD               |       | <b>3,949,812</b>   | 1,911,553   | <b>(809,124)</b>       | 903,785     |
| Add opening cash brought forward                   |       | <b>2,829,168</b>   | 917,615     | <b>1,821,398</b>       | 917,613     |
| <b>CLOSING CASH CARRIED FORWARD</b>                | 20(b) | <b>6,778,980</b>   | 2,829,168   | <b>1,012,274</b>       | 1,821,398   |

# Notes to the Financial Statements

30 JUNE 2003

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

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

### (b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

#### (i) Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets” which has resulted in a change in the accounting for the dividends provision. However, the consolidated entity previously recognised a provision for dividend based on the amount that was declared, determined or publicly recommended prior to the reporting date. There was no effect of the revised policy on the consolidated accumulated losses and provision at the beginning of the year accordingly.

A dividend was declared on 30 June 2003. In accordance with the new Standard, a provision for dividend has been recognised for the year ended 30 June 2003.

#### (ii) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 “Employee Benefits”, which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. There is no effect of the revised policy on the consolidated accumulated losses and employee benefit liabilities at the beginning of the year. However, current year profits have decreased by \$5,349 due to an increase in the employee benefits expense. Current provisions at 30 June 2003 have also increased by the same amount as a result of the change in accounting policy.

### (c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Treasury Group Limited (the parent company) and all entities that Treasury Group Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of controlled entities is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Controlled entity acquisitions are accounted for using the purchase method of accounting.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### (d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Interest is recognised as an expense as it accrues.



## Notes continued

30 JUNE 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. Where applicable, an estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

#### (f) Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

Other non-current investments are carried at cost or at directors' valuation. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

All current investments are carried at the lower of cost and market value.

#### (g) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down.

#### (h) Plant and equipment

Plant and equipment are measured at cost and depreciated over their useful lives on a diminishing cost basis.

Major depreciation periods are:

|                        | <u>2003 &amp; 2002</u>                   |
|------------------------|--|
| Furniture & fittings:  | 8 - 13 years                             |
| Office equipment:      | 4 - 10 years                             |
| Leasehold improvements | Straight line over the life of the lease |

#### (i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

##### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

## Notes continued

30 JUNE 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Intangibles

##### *Goodwill*

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. The period of amortisation is up to 20 years.

Management reviews the unamortised goodwill from time to time and at least at each reporting date. Where the balance exceeds the value of expected benefits, the difference is recognised immediately as an expense.

##### *Sharebroker Agency – Client List*

The value of the Sharebroker Agency – Client List, representing a client list from which commissions are earned was purchased from a sharebroker during last financial year is being amortised over a five years period. Any decrements in value are charged to the Statement of Financial Performance.

#### (k) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

#### (l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

#### (m) Contributed equity

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

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### (n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Rendering of services*

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured.

##### *Interest*

Control of the right to receive the interest payment.

##### *Dividends*

Control of the right to receive the dividend payment.

## Notes continued

30 JUNE 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Revenue recognition (cont'd)

##### *Share trading*

Control of the shares has passed to the buyer.

#### (o) Taxes

##### *Income taxes*

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

##### *Goods and Services Tax (GST)*

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in Note 22 is not being recognised as an employee benefits expense.

## Notes continued

30 JUNE 2003

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (q) Earnings per share

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

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends, if any;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element, if any.

#### (r) Comparatives

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

## Notes continued

| 30 JUNE 2003  | Notes                              | CONSOLIDATED      |                  | TREASURY GROUP LIMITED |                  |
|---|------------------------------------|-------------------|------------------|------------------------|------------------|
|   |                                    | 2003              | 2002             | 2003                   | 2002             |
|   |                                    | \$                | \$               | \$                     | \$               |
| <b>2. REVENUE FROM ORDINARY ACTIVITIES</b>          |                                    |                   |                  |                        |                  |
| <b>Revenues from operating activities</b>           |                                    |                   |                  |                        |                  |
| Fund management fees                                |                                    | 11,357,821        | 5,379,649        | -                      | -                |
| Management fees                                     | - wholly-owned controlled entities | -                 | -                | 992                    | 90,000           |
|   | - partly-owned controlled entities | -                 | -                | 176,591                | 321,809          |
|   | - associate                        | 7,135             | 15,000           | 7,135                  | 15,000           |
|   | - other related entities           | 16,956            | -                | 16,956                 | -                |
| Realised Gains on investments                       |                                    | -                 | 165,700          | -                      | -                |
| <b>Total revenues from operating activities</b>     |                                    | <b>11,381,912</b> | <b>5,560,349</b> | <b>201,674</b>         | <b>426,809</b>   |
| <b>Revenues from non-operating activities</b>       |                                    |                   |                  |                        |                  |
| Dividends and distributions                         |                                    |                   |                  |                        |                  |
|   | - partly-owned controlled entities | -                 | -                | 1,445,014              | 410,052          |
|   | - other corporations               | 53,153            | 48,159           | 33,889                 | -                |
| <b>Total dividends and distributions</b>            |                                    | <b>53,153</b>     | <b>48,159</b>    | <b>1,478,903</b>       | <b>410,052</b>   |
| Interest  |                                    |                   |                  |                        |                  |
| Related parties                                     |                                    |                   |                  |                        |                  |
|   | - wholly-owned controlled entities | -                 | -                | 4,724                  | 100,116          |
|   | - partly-owned controlled entities | -                 | -                | 34,418                 | -                |
|   | - associate                        | 31,674            | -                | 31,674                 | 8,852            |
|   | Other persons/corporations         | 217,128           | 84,481           | 67,176                 | 24,592           |
| <b>Total interest</b>                               |                                    | <b>248,802</b>    | <b>84,481</b>    | <b>137,992</b>         | <b>133,560</b>   |
| Commission received                                 |                                    | 12,554            | 38,967           | 12,554                 | 38,967           |
| Share trading                                       | (i)                                | 58,796            | 195,316          | 38,416                 | -                |
| Proceeds from disposal of plant & equipment         |                                    | 2,700             | -                | -                      | -                |
| Other revenue                                       |                                    | 15,552            | -                | -                      | -                |
|   |                                    | 89,602            | 234,283          | 50,970                 | 38,967           |
| <b>Total revenues from non-operating activities</b> |                                    | <b>391,557</b>    | <b>366,923</b>   | <b>1,667,865</b>       | <b>582,579</b>   |
| <b>Total revenues from ordinary activities</b>      |                                    | <b>11,773,469</b> | <b>5,927,272</b> | <b>1,869,539</b>       | <b>1,009,388</b> |
| <i>(i) Share trading – Gain</i>                     |                                    |                   |                  |                        |                  |
| Proceeds on disposal of shares                      |                                    | 2,238,780         | 5,293,132        | 1,191,940              | -                |
| Carrying amount of shares disposed                  |                                    | (2,179,984)       | (5,097,816)      | (1,153,524)            | -                |
| <b>Gain on disposal</b>                             |                                    | <b>58,796</b>     | <b>195,316</b>   | <b>38,416</b>          | <b>-</b>         |

## Notes continued

| 30 JUNE 2003  | Notes | CONSOLIDATED     |                  | TREASURY GROUP LIMITED |                |
|---|-------|------------------|------------------|------------------------|----------------|
|   |       | 2003             | 2002             | 2003                   | 2002           |
|   |       | \$               | \$               | \$                     | \$             |
| <b>3. EXPENSES AND LOSSES</b>   |       |                  |                  |                        |                |
| <b>(a) Expenses</b>   |       |                  |                  |                        |                |
| Depreciation of non-current assets  |       |                  |                  |                        |                |
| Furniture & fittings  |       | 6,319            | 1,210            | 3,309                  | 1,083          |
| Plant and equipment   |       | 108,560          | 50,991           | 14,716                 | 5,209          |
| Leasehold improvements  |       | 6,499            | 793              | 1,231                  | 514            |
| Total depreciation of non-current assets  |       | 121,378          | 52,994           | 19,256                 | 6,806          |
| Amortisation of non-current assets  |       |                  |                  |                        |                |
| Goodwill  |       | 111,416          | 104,377          | 15,000                 | 15,000         |
| <b>Total depreciation and amortisation expenses</b>                             |       | <b>232,794</b>   | <b>157,371</b>   | <b>34,256</b>          | <b>21,806</b>  |
| <b>Other operating expenses</b>   |       |                  |                  |                        |                |
| Accounting and audit fees   |       | 192,473          | 212,502          | 69,020                 | 112,853        |
| Operating lease rental – minimum lease payments                                 |       | 301,488          | 191,258          | 118,221                | 53,724         |
| Marketing & stationery expenses   |       | 494,380          | 223,302          | 11,928                 | 4,682          |
| Travel and accommodation costs  |       | 217,863          | 119,528          | 24,656                 | -              |
| Communication costs   |       | 116,353          | 99,962           | 14,922                 | 5,003          |
| Payroll tax   |       | 155,516          | 78,174           | 39,061                 | 22,000         |
| Legal and compliance fees   |       | 114,414          | 62,023           | 12,249                 | 21,494         |
| Insurance charges   |       | 158,533          | 49,065           | 17,533                 | 18,289         |
| IT consulting charges   |       | 64,109           | 34,893           | 760                    | 795            |
| Training expenses   |       | 30,953           | 43,313           | 1,640                  | 1,152          |
| Share registry expenses   |       | 19,509           | 20,815           | 19,509                 | 20,815         |
| ASX fees  |       | 23,428           | 13,004           | 23,428                 | 13,004         |
| Subscriptions   |       | 50,825           | 20,319           | 18,556                 | 871            |
| Assets written off  |       | 1,774            | -                | 939                    | -              |
| Other expenses  |       | 150,587          | 367,393          | 25,658                 | 11,862         |
| <b>Other expenses from ordinary activities</b>                                  |       | <b>2,092,205</b> | <b>1,535,551</b> | <b>398,080</b>         | <b>286,544</b> |
| <b>(b) Share of net loss of associate accounted for using the equity method</b> | 11(a) | <b>151,166</b>   | 21,596           | -                      | -              |
| <b>(c) Losses</b>   |       |                  |                  |                        |                |
| Net loss on disposal of plant & equipment                                       |       | 698              | -                | -                      | -              |

## Notes continued

| 30 JUNE 2003   | Notes | CONSOLIDATED |         | TREASURY GROUP LIMITED |          |
|--|-------|--------------|---------|------------------------|----------|
|  |       | 2003         | 2002    | 2003                   | 2002     |
|  |       | \$           | \$      | \$                     | \$       |
| <b>4. INCOME TAX</b>   |       |              |         |                        |          |
| The prima facie tax on profit and extraordinary items differs from the income tax provided in the financial statements as follows: |       |              |         |                        |          |
| Prima facie tax on profit from ordinary activities   |       | 1,537,574    | 322,140 | 229,367                | 92,738   |
| Tax effect of permanent differences  |       |              |         |                        |          |
| Share of associates' net operating results   |       | 54,716       | 6,478   | -                      | -        |
| Rebateable dividends   |       | 9,968        | -       | (420,000)              | (97,338) |
| Amortisation of intangible assets  |       | 33,425       | 31,313  | 4,500                  | 4,500    |
| Non-deductible costs - Entertainment   |       | 3,712        | 7,174   | 1,238                  | 100      |
| Gross up of franking credit  |       | 30,068       | -       | 29,570                 | -        |
| Recoupment of losses not previously recognised   |       | 213,938      | -       | 214,413                | -        |
| Other items (net)  |       | (55,086)     | (5,076) | (59,088)               | -        |
| Under/(over) provision of previous year  |       | -            | 1,349   | -                      | -        |
| Income tax expense attributable to ordinary activities   |       | 1,828,315    | 363,378 | -                      | -        |

#### *Deferred tax assets and liabilities*

|   |           |         |   |   |
|---|-----------|---------|---|---|
| Current tax payable                         | 1,660,771 | 337,252 | - | - |
| Provision for deferred income tax – current | 621       | -       | - | - |
| Future income tax benefit – current         | 49,586    | 24,442  | - | - |

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

#### **Tax consolidation**

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group. Members of the group have proposed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities on a pro-rata basis. In addition, the proposed 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. The head entity of the tax consolidated group is Treasury Group Limited.

The consolidated entity does not have any unutilised tax losses carried forward from prior years due to provisions of the Income Tax Assessment Act.

## Notes continued

| 30 JUNE 2003   | Notes | TREASURY GROUP LIMITED |          |
|--|-------|------------------------|----------|
|  |       | 2003                   | 2002     |
|  |       | \$                     | \$       |
| <b>5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES</b>  |       |                        |          |
| <b>(a) Dividends proposed and recognised as a liability*</b>   |       |                        |          |
| Final fully franked dividends (3 cents per share) (2002: 1 cent per share)                                       | 16    | <b>452,663</b>         | 141,659  |
| <b>(b) Dividends paid during the year</b>  |       |                        |          |
| <i>Previous year final</i>   |       |                        |          |
| Fully franked dividends (1 cent per share) (2001: 0.5 cent)  |       | <b>142,983</b>         | 45,310   |
| * Calculation based on the ordinary shares on issue as at 30 June 2003   |       |                        |          |
| <b>(c) Franking credit balance</b>   |       |                        |          |
| 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% (2002: 30%)                                |       | <b>146,210</b>         | 107,143  |
| – franking credits that will arise from the payment of income tax payable as at the end of the financial year    |       | -                      | -        |
| – franking debits that will arise from the payment of dividends as at the end of the financial year              |       | <b>(193,998)</b>       | (60,711) |
| – franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date |       | <b>600,000</b>         | 68,594   |
|  |       | <b>552,212</b>         | 115,026  |

The tax rate at which paid dividends have been franked is 30% (2002: 30%). Dividends proposed will be franked at the rate of 30% (2002: 30%).

As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been reinstated to a tax paid amount by multiplying the Class C franking surplus by 30/70.



## Notes continued

| 30 JUNE 2003  | Notes    | CONSOLIDATED     |           | TREASURY GROUP LIMITED |         |
|---|----------|------------------|-----------|------------------------|---------|
|   |          | 2003             | 2002      | 2003                   | 2002    |
|   |          | \$               | \$        | \$                     | \$      |
| <b>6. RECEIVABLES (CURRENT)</b>                                 |          |                  |           |                        |         |
| Trade debtors   | 6(a),(b) | 3,187,095        | 2,021,373 | 18,417                 | 221,566 |
| Sundry debtors  | 6(b)     | 3,635            | 158,909   | 3,630                  | 6,433   |
| Amounts other than trade debts receivable from related parties: | 28       |                  |           |                        |         |
| Wholly-owned group  |          |                  |           |                        |         |
| – controlled entities   |          | -                | -         | -                      | -       |
| Directors and director-related entities                         |          |                  |           |                        |         |
| – director-related entities                                     |          | 1,000,000        | -         | -                      | -       |
| Other related parties   |          |                  |           |                        |         |
| – partly-owned controlled entities                              |          | -                | -         | 32,420                 | -       |
| – dividend receivable from partly-owned controlled entities     |          | -                | -         | 1,400,000              | 160,052 |
| – associate   |          | 20,988           | -         | 20,988                 | -       |
|   |          | <b>4,211,718</b> | 2,180,282 | <b>1,475,455</b>       | 388,051 |

**(a) Trade debts receivable from related parties**

|   |    |              |        |               |         |
|---|----|--------------|--------|---------------|---------|
| Wholly-owned group                      |    |              |        |               |         |
| – controlled entities                   | 28 | -            | -      | -             | 99,000  |
| Directors and director-related entities |    |              |        |               |         |
| – director-related                      | 28 | 2,530        | -      | 2,530         | -       |
| Other related parties                   |    |              |        |               |         |
| – partly-owned controlled entities      |    | -            | -      | 15,561        | 94,407  |
| – associate                             | 28 | -            | 26,237 | -             | 26,237  |
|   |    | <b>2,530</b> | 26,237 | <b>18,091</b> | 219,644 |

**(b) Terms and conditions**

Terms and conditions relating to the above financial instruments

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iii) Details of the terms and conditions of related party receivables are set out in Note 28.

|  | Notes | CONSOLIDATED   |         | TREASURY GROUP LIMITED |      |
|--|-------|----------------|---------|------------------------|------|
|  |       | 2003           | 2002    | 2003                   | 2002 |
|  |       | \$             | \$      | \$                     | \$   |
| <b>7. OTHER FINANCIAL ASSETS (CURRENT)</b> |       |                |         |                        |      |
| Units in managed investment trust, at cost |       | <b>910,252</b> | 895,948 | -                      | -    |

Units are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

## Notes continued

| 30 JUNE 2003                   | Notes | CONSOLIDATED   |                | TREASURY GROUP LIMITED |          |
|--------------------------------|-------|----------------|----------------|------------------------|----------|
|                                |       | 2003           | 2002           | 2003                   | 2002     |
|                                |       | \$             | \$             | \$                     | \$       |
| <b>8. OTHER CURRENT ASSETS</b> |       |                |                |                        |          |
| Security deposits              |       | 83,132         | 270            | 82,932                 | -        |
| Prepayments                    |       | 86,849         | 124,950        | 13,371                 | -        |
|                                |       | <b>169,981</b> | <b>125,220</b> | <b>96,303</b>          | <b>-</b> |

|  | Notes           | CONSOLIDATED     |                | TREASURY GROUP LIMITED |                  |
|--|-----------------|------------------|----------------|------------------------|------------------|
|  |                 | 2003             | 2002           | 2003                   | 2002             |
|  |                 | \$               | \$             | \$                     | \$               |
| <b>9. RECEIVABLES (NON-CURRENT)</b>            |                 |                  |                |                        |                  |
| Amounts other than trade debts receivable from |                 |                  |                |                        |                  |
| Wholly-owned group                             |                 |                  |                |                        |                  |
| - loans to controlled entities                 | 9(a),28         | -                | -              | 362,402                | 1,389,913        |
| Other related parties                          |                 |                  |                |                        |                  |
| - loan to an associate                         | 9(a) (b),<br>28 | 1,284,539        | 109,642        | 1,284,539              | 109,642          |
|  |                 | <b>1,284,539</b> | <b>109,642</b> | <b>1,646,941</b>       | <b>1,499,555</b> |

(a) Other receivables are interest bearing at commercial rates with no fixed repayment dates.

(b) The majority of non-current loan to an associate is subordinated to Australian Securities and Investments Commission ("ASIC").

|   | Notes | CONSOLIDATED     |                  | TREASURY GROUP LIMITED |                  |
|---|-------|------------------|------------------|------------------------|------------------|
|   |       | 2003             | 2002             | 2003                   | 2002             |
|   |       | \$               | \$               | \$                     | \$               |
| <b>10. OTHER FINANCIAL ASSETS (NON-CURRENT)</b> |       |                  |                  |                        |                  |
| <i>Investments at cost comprise:</i>            |       |                  |                  |                        |                  |
| Controlled entities – unlisted                  | 12(b) | -                | -                | 4,269,524              | 3,170,463        |
| Associate – unlisted                            | 11    | -                | -                | 1,341,846              | 550,000          |
|   |       | -                | -                | 5,611,370              | 3,720,463        |
| Shares in other corporations                    |       |                  |                  |                        |                  |
|   | 30(b) |                  |                  |                        |                  |
| Listed on prescribed stock exchange             |       | 1,062,655        | 1,270,341        | 1,062,655              | -                |
| Unlisted  |       | 100,600          | -                | 100,600                | -                |
|   |       | <b>1,163,255</b> | <b>1,270,341</b> | <b>1,163,255</b>       | <b>-</b>         |
|   |       | <b>1,163,255</b> | <b>1,270,341</b> | <b>6,774,625</b>       | <b>3,720,463</b> |

There would be no capital gains tax payable if these assets were sold at their market values at the reporting date.

## Notes continued

30 JUNE 2003

Notes

CONSOLIDATED

2003

2002

\$

\$

### 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                         |       |                  |         |
|-------------------------|-------|------------------|---------|
| Investment in associate | 11(a) | <b>1,152,004</b> | 542,545 |
|-------------------------|-------|------------------|---------|

#### (a) INTEREST IN ASSOCIATE

| Name  | Balance date | Ownership interest held by consolidated entity |      |
|---|--------------|--|------|
|   |              | 2003   | 2002 |
|   |              | %  | %    |
| Orion Asset Management (Aust) Pty Ltd - ordinary shares<br>(formally known as Group Funds Management Pty Ltd) | 30 June      | <b>19.9</b>                                    | 25   |

- (i) Orion Asset Management (Aust) Pty Ltd (“Orion”) is a wholesale fund management company in Australia.
- (ii) On 19 November 2003, Treasury Group Limited acquired a further 75% of the voting share capital of Orion.
- (iii) On 15 January 2003, the group’s total interest in Orion decreased to 19.9% following the new issue of voting share capital of Orion to a third party. Treasury Group Limited, however, has a series of call options with an expiry date of 31 March 2006 to purchase ordinary shares of the associate to increase its total interest to 49%.
- (iv) Treasury Group Limited’s consolidated financial statements included information from the financial statements of Orion from the date the group obtained control until the time as the control ceased.

CONSOLIDATED

2003

2002

\$

\$

#### (v) *Share of associate’s losses*

Share of associate’s:

|  |                |        |
|--|----------------|--------|
| - net loss before income tax   | <b>120,223</b> | 21,596 |
| - income tax expense attributable to net profit                        | -              | -      |
| Share of associate’s net loss and extraordinary items after income tax | <b>120,223</b> | 21,596 |
| Adjusted for:  |                |        |
| - amortisation of goodwill on acquisition                              | <b>30,943</b>  | -      |
| Share of associate’s net loss  | <b>151,166</b> | 21,596 |

## Notes continued

30 JUNE 2003

|   | Notes | CONSOLIDATED     |           |
|---|-------|------------------|-----------|
|   |       | 2003             | 2002      |
|   |       | \$               | \$        |
| <b>11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)</b>                  |       |                  |           |
| <i>(vi) Carrying amount of investment in associate</i>                                |       |                  |           |
| Balance at the beginning of the financial year  |       | 542,545          | 67,087    |
| - new investment during the financial year  |       | 791,845          | 550,000   |
| - investment transferred to controlled entity   |       | (710,222)        | (52,946)  |
| - investment transferred from controlled entity                                       |       | 679,002          | -         |
| - share of associate's net loss for the financial year                                |       | (151,166)        | (21,596)  |
| - dividends received from associate   |       | -                | -         |
| Carrying amount of investment in associate at the end of the financial year           |       | <b>1,152,004</b> | 542,545   |
| <i>(vii) Share of associate's assets and liabilities</i>                              |       |                  |           |
| Current assets  |       | 317,234          | 51,602    |
| Non-current assets  |       | 394,936          | 55,457    |
| Current liabilities   |       | (91,784)         | (27,237)  |
| Non-current liabilities   |       | (1,284,539)      | (109,642) |
| Net assets  |       | <b>(664,153)</b> | (29,820)  |
| <i>(viii) Accumulated losses of the consolidated entity attributable to associate</i> |       |                  |           |
| Balance at the beginning of the financial year  |       | (7,455)          | 15,522    |
| Share of associate's net losses   |       | (151,166)        | (21,596)  |
| Share of accumulated losses transferred to controlled entity                          |       | -                | (1,381)   |
| Balance at the end of the financial year  |       | <b>(158,621)</b> | (7,455)   |

## 12. INTERESTS IN SUBSIDIARIES

| Name  | Percentage of equity interest held by the consolidated entity |      | Treasury Group Limited Investments |           |
|---|---|------|------------------------------------|-----------|
|   | 2003  | 2002 | 2003                               | 2002      |
|   | %   | %    | \$                                 | \$        |
| Armytage private Limited  | 50  | 50   | 299,591                            | 299,591   |
| Investors Mutual Limited - Note 12 (a)  | 50  | 50   | 3,869,925                          | 2,869,925 |
| Treasury Capital Management Pty Ltd   | 100   | 100  | 2                                  | 2         |
| Treasury Group Investment Services Pty Ltd (formally known as Aust Value Funds Mgt P/L) – Note 12 (b) | 100   | 100  | 100,006                            | 945       |
|   |   |      | <b>4,269,524</b>                   | 3,170,463 |

All subsidiaries are incorporated in Australia.

Notes:

- On 27 June 2003, Treasury Group Limited acquired another 1,000,000 shares of the newly issued share capital of Investors Mutual Limited of \$1.00 each. The percentage of equity interest held by the consolidated entity remains the same.
- During the year, Treasury Group Limited has reviewed the net asset value of Treasury Group Investment Services Pty Ltd and has written off \$939 accordingly.

In addition, on 30 April 2003, Treasury Group Investment Services Pty Ltd issued 100,000 ordinary share of \$1.00 each. The entire newly issued shares were acquired by Treasury Group Limited. As such, the percentage of equity interest held by the consolidated entity remains the same.

## Notes continued

| 30 JUNE 2003                    | Notes | CONSOLIDATED |          | TREASURY GROUP LIMITED |         |
|---------------------------------|-------|--------------|----------|------------------------|---------|
|                                 |       | 2003         | 2002     | 2003                   | 2002    |
|                                 |       | \$           | \$       | \$                     | \$      |
| <b>13. PLANT AND EQUIPMENT</b>  |       |              |          |                        |         |
| <b>Furniture &amp; fittings</b> |       |              |          |                        |         |
| At cost                         |       | 67,821       | 40,753   | 36,702                 | 31,748  |
| Accumulated depreciation        |       | (7,529)      | (1,210)  | (4,392)                | (1,083) |
|                                 | 13(a) | 60,292       | 39,543   | 32,310                 | 30,665  |
| <b>Office equipment</b>         |       |              |          |                        |         |
| At cost                         |       | 334,898      | 260,986  | 68,611                 | 35,625  |
| Accumulated depreciation        |       | (158,652)    | (68,476) | (19,925)               | (5,209) |
|                                 | 13(a) | 176,246      | 192,510  | 48,686                 | 30,416  |
| <b>Leasehold improvements</b>   |       |              |          |                        |         |
| At cost                         |       | 37,170       | 16,761   | 13,327                 | 13,327  |
| Accumulated depreciation        |       | (7,292)      | (793)    | (1,745)                | (514)   |
|                                 | 13(a) | 29,878       | 15,968   | 11,582                 | 12,813  |
| Total written down amount       |       | 266,416      | 248,021  | 92,578                 | 73,894  |

|  | CONSOLIDATED |           | TREASURY GROUP LIMITED |          |
|--|--------------|-----------|------------------------|----------|
|  | 2003         | 2002      | 2003                   | 2002     |
|  | \$           | \$        | \$                     | \$       |
| <b>(a) Reconciliations</b>   |              |           |                        |          |
| Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year. |              |           |                        |          |
| <b>Furniture &amp; fittings</b>  |              |           |                        |          |
| Carrying amount at beginning   |              | 39,543    |                        | 30,665   |
| Additions  |              | 36,568    |                        | 4,954    |
| Loss of control of a controlled entity   |              | (9,500)   |                        | -        |
| Depreciation expense   |              | (6,319)   |                        | (3,309)  |
|  |              | 60,292    |                        | 32,310   |
| <b>Office equipment</b>  |              |           |                        |          |
| Carrying amount at beginning   |              | 192,510   |                        | 30,416   |
| Additions  |              | 99,729    |                        | 32,986   |
| Disposals  |              | (3,398)   |                        | -        |
| Loss of control of a controlled entity   |              | (4,035)   |                        | -        |
| Depreciation expense   |              | (108,560) |                        | (14,716) |
|  |              | 176,246   |                        | 48,686   |
| <b>Leasehold improvements</b>  |              |           |                        |          |
| Carrying amount at beginning   |              | 15,968    |                        | 12,813   |
| Additions  |              | 20,409    |                        | -        |
| Depreciation expense   |              | (6,499)   |                        | (1,231)  |
|  |              | 29,878    |                        | 11,582   |

## Notes continued

| 30 JUNE 2003                 | Notes | CONSOLIDATED     |                  | TREASURY GROUP LIMITED |               |
|------------------------------|-------|------------------|------------------|------------------------|---------------|
|                              |       | 2003             | 2002             | 2003                   | 2002          |
|                              |       | \$               | \$               | \$                     | \$            |
| <b>14. INTANGIBLE ASSETS</b> |       |                  |                  |                        |               |
| Goodwill                     |       | 2,003,348        | 2,003,348        | 75,000                 | 75,000        |
| Accumulated amortisation     |       | (215,793)        | (104,377)        | (30,000)               | (15,000)      |
|                              |       | <b>1,787,555</b> | <b>1,898,971</b> | <b>45,000</b>          | <b>60,000</b> |
| Formation costs              |       | 115,268          | 1,779            | 95,886                 | -             |
| Accumulated amortisation     |       | -                | -                | -                      | -             |
|                              |       | <b>115,268</b>   | <b>1,779</b>     | <b>95,886</b>          | <b>-</b>      |
|                              |       | <b>1,902,823</b> | <b>1,900,750</b> | <b>140,886</b>         | <b>60,000</b> |

### 15. PAYABLES (CURRENT)

|                                   |       |                  |                |                  |                |
|-----------------------------------|-------|------------------|----------------|------------------|----------------|
| Trade creditors                   | 15(a) | 364,208          | 442,503        | 45,358           | 39,290         |
| Other creditors                   | 15(a) | 635,349          | 330,269        | 1,043,667        | 24,873         |
| Payroll tax payable               |       | 47,272           | 22,000         | 47,272           | 22,000         |
| Withholding tax payable           |       | 29,915           | 25,088         | 27,631           | 21,396         |
| Goods and services tax / (refund) |       | 355,644          | 155,668        | (405)            | 3,807          |
|                                   |       | <b>1,432,388</b> | <b>975,528</b> | <b>1,163,523</b> | <b>111,366</b> |

Aggregate amounts payable to related parties:

|                                    |    |   |   |           |   |
|------------------------------------|----|---|---|-----------|---|
| Other related parties              |    |   |   |           |   |
| - partly-owned controlled entities | 28 | - | - | 1,000,000 | - |

(a) Terms and conditions relating to the above financial instruments:

- (i) Trade creditors and other creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Details of the terms and conditions of related party payables are set out in Note 28.

|                                 | Notes      | CONSOLIDATED     |                | TREASURY GROUP LIMITED |                |
|---------------------------------|------------|------------------|----------------|------------------------|----------------|
|                                 |            | 2003             | 2002           | 2003                   | 2002           |
|                                 |            | \$               | \$             | \$                     | \$             |
| <b>16. PROVISIONS (CURRENT)</b> |            |                  |                |                        |                |
| Dividends on ordinary shares    | 5(a),16(a) | 1,852,663        | 301,607        | 452,663                | 141,659        |
| Employee benefits               | 22         | 129,197          | 75,956         | 36,841                 | 14,807         |
|                                 |            | <b>1,981,860</b> | <b>377,563</b> | <b>489,504</b>         | <b>156,466</b> |

(a) Terms and conditions relating to the above financial instrument:

For the year ended 30 June 2003, dividends payable on ordinary shares represent a final dividend of 3.0 cents (2002: 1 cent) per ordinary share. The dividends were fully franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 5(c) to the financial report.

## Notes continued

| 30 JUNE 2003  | Notes | CONSOLIDATED      |                   | TREASURY GROUP LIMITED |           |
|---|-------|-------------------|-------------------|------------------------|-----------|
|   |       | 2003              | 2002              | 2003                   | 2002      |
|   |       | \$                | \$                | \$                     | \$        |
| <b>17. CONTRIBUTED EQUITY</b>   |       |                   |                   |                        |           |
| <b>(a) Issued and paid up capital</b>                                   |       |                   |                   |                        |           |
| Ordinary shares fully paid  |       | <b>10,874,882</b> | 8,894,945         | <b>10,874,882</b>      | 8,894,945 |
| <b>(b) Movements in shares on issue</b>                                 |       |                   |                   |                        |           |
|   |       | 2003              |                   | 2002                   |           |
|   |       | Number of shares  | \$                | Number of shares       | \$        |
| Beginning of the financial year   |       | 14,165,925        | 8,894,945         | 9,061,925              | 3,967,348 |
| Issued during the year  |       |                   |                   |                        |           |
| - purchase of share broking agency                                      |       | -                 | -                 | 150,000                | 75,000    |
| - purchase of controlling interest in controlled entities and associate | (i)   | 100,000           | 559,000           | 3,754,000              | 2,248,000 |
| - exercise of options   |       | 633,835           | 437,743           | 700,000                | 525,000   |
| - private placement for working capital                                 |       | 189,000           | 985,000           | 500,000                | 2,100,000 |
| Less: transaction costs   |       | -                 | (1,806)           | -                      | (20,403)  |
| End of the financial year   |       | <b>15,088,760</b> | <b>10,874,882</b> | 14,165,925             | 8,894,945 |

(i) During the year, Treasury Group Limited issued a third party 100,000 ordinary shares to reach an agreement in relation to developing business of Orion Assets Management (Aust) Pty Ltd. The value placed on the issue was the market price at that date of \$5.59 per share. These shares will rank equally for dividends after the issue date.

### (c) Share Options

Options over ordinary shares:

During the financial year, 2,310,001 options were issued over ordinary shares. The options had an average exercise price of \$5.99. Details of options granted to officers and executives are provided in Note 22.

At the end of the year there were 7,941,166 (2002: 6,265,000) unissued ordinary shares in respect of which options were outstanding.

### (d) Terms and conditions of contributed equity

#### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

## Notes continued

| 30 JUNE 2003   | Notes | CONSOLIDATED       |             | TREASURY GROUP LIMITED |             |
|--|-------|--------------------|-------------|------------------------|-------------|
|  |       | 2003               | 2002        | 2003                   | 2002        |
|  |       | \$                 | \$          | \$                     | \$          |
| <b>18. ACCUMULATED LOSSES</b>                                |       |                    |             |                        |             |
| <b>Accumulated Losses</b>                                    |       |                    |             |                        |             |
| Balance at the beginning of year                             |       | <b>(1,739,271)</b> | (1,856,758) | <b>(1,599,416)</b>     | (1,766,882) |
| Net profit attributable to members of Treasury Group Limited |       | <b>1,161,572</b>   | 259,146     | <b>764,555</b>         | 309,125     |
| Total available for appropriation                            |       | <b>(577,699)</b>   | (1,597,612) | <b>(834,861)</b>       | (1,457,757) |
| Dividends provided for or paid                               |       | <b>(453,986)</b>   | (141,659)   | <b>(453,986)</b>       | (141,659)   |
| Balance at end of year                                       |       | <b>(1,031,685)</b> | (1,739,271) | <b>(1,288,847)</b>     | (1,599,416) |

### 19. OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

|                                |                    |           |
|--------------------------------|--------------------|-----------|
| Opening balance                | <b>1,280,342</b>   | 1,239,013 |
| Add: share of operating profit | <b>2,135,359</b>   | 451,277   |
| new issue of shares            | <b>1,000,000</b>   | -         |
| Less: dividends                | <b>(1,444,984)</b> | (409,948) |
| Closing balance                | <b>2,970,717</b>   | 1,280,342 |



## Notes continued

| 30 JUNE 2003  | Notes | CONSOLIDATED |             | TREASURY GROUP LIMITED |           |
|---|-------|--------------|-------------|------------------------|-----------|
|   |       | 2003         | 2002        | 2003                   | 2002      |
|   |       | \$           | \$          | \$                     | \$        |
| <b>20. STATEMENT OF CASH FLOWS</b>  |       |              |             |                        |           |
| <b>(a) Reconciliation of the net profit after tax to the net cash flows from operations</b> |       |              |             |                        |           |
| Net profit  |       | 3,296,931    | 710,423     | 764,555                | 309,125   |
| <i>Non-Cash Items</i>   |       |              |             |                        |           |
| Depreciation & amortisation of non-current assets   |       | 232,794      | 157,371     | 34,256                 | 21,806    |
| Net (profit)/loss on disposal of financial assets   |       | (58,796)     | (361,016)   | (38,416)               | -         |
| Net (profit)/loss on disposal of plant and equipment  |       | 698          | -           | -                      | -         |
| Share of associate's net losses   |       | 151,166      | 21,596      | -                      | -         |
| Dividends reinvested in controlled entity   |       | -            | -           | -                      | (250,000) |
| Write off of assets   |       | 1,774        | -           | 939                    | -         |
| <b>Changes in assets and liabilities</b>  |       |              |             |                        |           |
| (Increase)/decrease in trade and other receivables  |       | (1,086,883)  | (1,364,791) | (2,682)                | (324,101) |
| (Increase)/decrease in dividends receivable   |       | -            | -           | (1,239,948)            | (160,052) |
| (Increase)/decrease in future income tax benefit  |       | (25,144)     | (2,354)     | -                      | -         |
| (Increase)/decrease in prepayments  |       | 38,101       | (79,165)    | (13,371)               | -         |
| (Increase)/decrease in security deposits  |       | (82,862)     | (44,665)    | (82,932)               | -         |
| (Increase)/decrease in formation costs  |       | (66,518)     | -           | -                      | -         |
| (Decrease)/increase in trade creditors  |       | (78,295)     | 469,694     | (6,803)                | 86,001    |
| (Decrease)/increase in other creditors and accruals   |       | 320,208      | (73,180)    | 50,301                 | -         |
| (Decrease)/increase in tax provision  |       | 1,324,137    | 411,232     | -                      | -         |
| (Decrease)/increase in goods and services tax payable                                       |       | 199,976      | 72,160      | (2,800)                | 3,929     |
| (Decrease)/increase in employee benefits  |       | 53,241       | 26,779      | 22,034                 | 15,593    |
| Net cash flow from operating activities   |       | 4,220,528    | (55,916)    | (514,867)              | (297,699) |

## Notes continued

| 30 JUNE 2003                                | Notes | CONSOLIDATED     |           | TREASURY GROUP LIMITED |           |
|---|-------|------------------|-----------|------------------------|-----------|
|   |       | 2003             | 2002      | 2003                   | 2002      |
|   |       | \$               | \$        | \$                     | \$        |
| <b>20. STATEMENT OF CASH FLOWS (cont'd)</b> |       |                  |           |                        |           |
| <b>(b) Reconciliation of cash</b>           |       |                  |           |                        |           |
| Cash balance comprises:                     |       |                  |           |                        |           |
| – cash assets                               |       | <b>1,646,244</b> | 2,829,168 | <b>312,536</b>         | 1,821,398 |
| – commercial bills                          |       | <b>5,132,736</b> | -         | <b>699,738</b>         | -         |
| Closing cash balance                        |       | <b>6,778,980</b> | 2,829,168 | <b>1,012,274</b>       | 1,821,398 |

**(c) Financing facilities available**

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

**(d) Non-cash financing and investing activities**

*(i) Repayment from a wholly-owned controlled entity*

During the year, Treasury Group Limited received a repayment of loan to the value of 1,241,103 from a wholly-owned controlled entity (2002: nil).

*(ii) Transaction with a third party*

During the year, Treasury Group Limited issued a third party 100,000 ordinary shares to reach an agreement in relation to developing business of Orion Asset Management (Aust) Pty Ltd.

## Notes continued

30 JUNE 2003

### 20. STATEMENT OF CASH FLOWS (cont'd)

#### (e) Acquisition of Controlled Entity

On 19 November 2002, Treasury Group Limited acquired a further 75% of the voting share capital of Orion Asset Management (Aust) Pty Ltd ("Orion"), formerly known as Group Funds Management Pty Ltd, a former associate incorporated in Australia specialising in wholesales fund management. As such, the group's total interest in the voting share capital of Orion is 100% from that date. The 100% acquired entity has been consolidated in the Treasury Group Limited's financial statements for the period from 19 November 2002 to until the control ceased on 15 January 2003.

The components of the acquisition cost were:

| <i>Consideration</i>                        | \$              |
|---|-----------------|
| - cash paid                                 | 159,061         |
| - liability defeasance                      | 73,785          |
|   | <u>232,846</u>  |
| <br><i>Net assets acquired</i>              |                 |
| - cash                                      | 54,365          |
| - short term bank deposit                   | 20,000          |
| - sundry debtors                            | 162             |
| - GST refund                                | 1,564           |
| - fair value of net intangible              | 8,602           |
| - payables                                  | (18,363)        |
| - sundry creditors                          | (455)           |
| - non-current loan payable                  | (82,929)        |
|   | <u>(17,054)</u> |
| Less: Existing 25% equity interest          | 4,263           |
| Fair value of net assets acquired           | <u>(12,791)</u> |
| Goodwill arising on acquisition             | 238,835         |
|   | <u>226,044</u>  |
| <br><i>Net cash effect</i>                  |                 |
| Cash consideration paid                     | 159,061         |
| Cash included in net assets acquired        | (74,365)        |
| Cash paid for purchase of controlled entity | <u>84,696</u>   |

#### (f) Loss of Control of Controlled Entity

On 15 January 2003, Treasury Group Limited lost control of Orion following the decline of the consolidated entity's total interest in Orion to 19.9%. The carrying amounts of assets and liabilities of Orion by major class are as follows:

|   | \$              |
|---|-----------------|
| - Cash  | 93,727          |
| - Sundry debtors  | 1,398           |
| - GST refund  | 5,185           |
| - fair value of net intangible  | 55,738          |
| - plant & equipment   | 13,535          |
| - payables  | (20,169)        |
| - sundry creditors  | (5,343)         |
| - non-current loan payable  | (188,048)       |
| Net assets of entity  | <u>(43,977)</u> |
| <br>Cash effect on loss of controlled entity as reflected in the consolidated statement of cash flows | <u>93,727</u>   |

30 JUNE 2003

## Notes continued

### 20. STATEMENT OF CASH FLOWS (cont'd)

#### 2002

##### Acquisition of Controlled Entity

On 21 July 2001, Treasury Group Limited acquired 50% of the voting share capital of Investors Mutual Limited, an unlisted entity specialising in wholesale funds management. In addition, on 1 June 2002, Treasury Group Limited acquired an additional 30% interest in Armytage private Limited ("Armytage"), taking Treasury Group Limited's total interest in the voting share capital of Armytage to 50%. Components of the acquisition costs were:

The components of the acquisition cost were:

|   | \$               |
|---|------------------|
| <b>Consideration</b>                          |                  |
| - shares issued                               | 1,618,000        |
| - cash paid                                   | 1,247,461        |
|   | <u>2,865,461</u> |
| <b>Net assets acquired</b>                    |                  |
| - cash  | 354,228          |
| - receivables                                 | 1,056,015        |
| - other assets                                | 1,284,612        |
| - plant & equipment                           | 72,303           |
| - payables                                    | (637,798)        |
| - provisions                                  | (41,311)         |
| - other liabilities                           | (103,824)        |
|   | <u>1,984,225</u> |
| Less: Outside equity interests (50%)          | (992,112)        |
| Existing equity interests                     | (55,000)         |
| Fair value of net assets acquired             | <u>937,113</u>   |
| Goodwill arising on acquisitions              | <u>1,928,348</u> |
|   | <u>2,865,461</u> |
| <b>Net cash effect</b>                        |                  |
| Cash consideration paid                       | 1,247,461        |
| Cash included in net assets acquired          | (354,228)        |
| Cash paid for purchase of controlled entities | <u>893,233</u>   |

## Notes continued

| 30 JUNE 2003  | Notes | CONSOLIDATED     |         | TREASURY GROUP LIMITED |        |
|---|-------|------------------|---------|------------------------|--------|
|   |       | 2003             | 2002    | 2003                   | 2002   |
|   |       | \$               | \$      | \$                     | \$     |
| <b>21. EXPENDITURE COMMITMENTS</b>  |       |                  |         |                        |        |
| <b>Lease expenditure commitments</b>  |       |                  |         |                        |        |
| <i>Operating leases (non-cancellable):</i>  |       |                  |         |                        |        |
| Minimum lease payments  | 21(a) |                  |         |                        |        |
| – not later than one year   |       | <b>391,491</b>   | 240,374 | <b>202,950</b>         | 65,454 |
| – later than one year and not later than five years                               |       | <b>797,923</b>   | 565,517 | <b>557,961</b>         | 30,261 |
| – later than five years   |       | -                | -       | -                      | -      |
| Aggregate lease expenditure contracted for but not provided for at reporting date |       | <b>1,189,414</b> | 805,891 | <b>760,911</b>         | 95,715 |

**Note:**

- (a) The consolidated entity leases property under non-cancellable operating leases. Leases have an average lease term of 3.5 years and generally provide the consolidated entity with a right to renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an increment contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.
- (b) A property under non-cancellable operating leases has been sub-let to an associate. The total of future minimum lease payments expected to be received at the reporting date is \$540,002 (2001: Nil).

## Notes continued

| 30 JUNE 2003  | Notes | CONSOLIDATED   |         | TREASURY GROUP LIMITED |        |
|---|-------|----------------|---------|------------------------|--------|
|   |       | 2003           | 2002    | 2003                   | 2002   |
|   |       | \$             | \$      | \$                     | \$     |
| <b>22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS</b> |       |                |         |                        |        |
| <b>Employee Benefits</b>                                    |       |                |         |                        |        |
| The aggregate employee benefit liability is comprised of:   |       |                |         |                        |        |
| Accrued wages, salaries, bonus and on-costs*                |       | <b>472,394</b> | 48,849  | <b>77,110</b>          | 45,157 |
| Provisions (current)  | 16    | <b>129,197</b> | 75,956  | <b>36,841</b>          | 14,807 |
|   |       | <b>601,591</b> | 124,805 | <b>113,951</b>         | 59,964 |

\* included in payables (current) – Note 15

### Officer and Executive Option Plan

An Officer and Executive Option Plan has been established where Treasury Group Limited may, at the discretion of management, grant options over the ordinary shares of Treasury Group Limited to directors, executives and certain members of staff of the consolidated entity. The options are granted in accordance with performance guidelines established by the directors of Treasury Group Limited, although the management of Treasury Group Limited retains the final discretion on the issue of the options. The options cannot be transferred and will not be quoted on the ASX. There are currently six directors, two executives and 24 staff eligible for this scheme.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

|  |       | 2003              |                                 | 2002              |                                 |
|--|-------|-------------------|---------------------------------|-------------------|---------------------------------|
|  |       | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of year               | 22(a) | <b>6,000,000</b>  | <b>\$0.81</b>                   | 1,715,000         | \$0.75                          |
| - employees left during the financial year |       | <b>(599,999)</b>  | <b>\$0.84</b>                   | (265,000)         | \$0.87                          |
| - granted                                  | 22(a) | <b>1,060,000</b>  | <b>\$6.27</b>                   | 5,250,000         | \$0.82                          |
| - exercised                                | 22(a) | <b>(343,002)</b>  | <b>\$0.65</b>                   | (700,000)         | \$0.75                          |
| Balance at end of year                     | 22(a) | <b>6,116,999</b>  | <b>\$2.33</b>                   | 6,000,000         | \$0.81                          |
| Exercisable at end of year                 |       | <b>2,673,669</b>  | <b>\$0.77</b>                   | 2,715,000         | \$0.83                          |

## Notes continued

### 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

#### (a) Employee Option Plan

| Grant Date   | Exercise Date | Expiry Date | Exercise Price | 1-Jul 2002 | Movement in number of Options |                   |           | 30-Jun 2003 | Number of Options Vested | Proceeds Received | Fair Value per share |
|--------------|---------------|-------------|----------------|------------|-------------------------------|-------------------|-----------|-------------|--------------------------|-------------------|----------------------|
|              |               |             |                |            | Issued                        | Lapsed/ Forfeited | Exercised |             |                          |                   |                      |
| 30/11/2000   | 30/11/2000    | 30/11/2005  | \$0.75         | 750,000    | -                             | -                 | -         | *500,000    | 500,000                  | -                 | -                    |
| 1/07/2001    | 16/07/2001    | 1/07/2006   | \$0.65         | 900,000    | -                             | -                 | -         | 900,000     | 900,000                  | -                 | -                    |
| 1/07/2001    | 1/07/2002     | 1/07/2006   | \$0.60         | 300,000    | -                             | -                 | -         | 300,000     | 300,000                  | -                 | -                    |
| 1/07/2001    | 1/07/2002     | 1/07/2006   | \$0.65         | 500,000    | -                             | -                 | 130,000   | 370,000     | 370,000                  | \$84,500          | \$ 6.15              |
| 1/07/2001    | 1/07/2003     | 1/07/2006   | \$0.75         | 300,000    | -                             | -                 | -         | 300,000     | -                        | -                 | -                    |
| 1/07/2001    | 1/07/2003     | 1/07/2006   | \$0.65         | 500,000    | -                             | -                 | -         | 500,000     | -                        | -                 | -                    |
| 1/07/2001    | 1/07/2004     | 1/07/2006   | \$0.90         | 300,000    | -                             | -                 | -         | 300,000     | -                        | -                 | -                    |
| 1/07/2001    | 1/07/2004     | 1/07/2006   | \$0.65         | 500,000    | -                             | -                 | -         | 500,000     | -                        | -                 | -                    |
| 1/07/2001    | 1/07/2001     | 1/07/2006   | \$0.65         | 300,004    | -                             | -                 | 213,002   | *53,669     | 53,669                   | \$138,451         | \$ 5.75              |
| 1/07/2001    | 1/07/2003     | 1/07/2006   | \$0.65         | 299,999    | -                             | -                 | -         | *266,666    | -                        | -                 | -                    |
| 1/07/2001    | 1/07/2004     | 1/07/2006   | \$0.65         | 299,997    | -                             | -                 | -         | *266,664    | -                        | -                 | -                    |
| 1/07/2001    | 20/05/2005    | 1/07/2006   | \$0.65         | 50,000     | -                             | -                 | -         | 50,000      | -                        | -                 | -                    |
| 1/07/2001    | 1/07/2005     | 1/07/2006   | \$0.65         | 50,000     | -                             | -                 | -         | 50,000      | -                        | -                 | -                    |
| 16/11/2001   | 16/11/2001    | 30/11/2006  | \$1.00         | 750,000    | -                             | -                 | -         | *500,000    | 500,000                  | -                 | -                    |
| 29/11/2001   | 1/03/2002     | 29/11/2006  | \$3.00         | 50,000     | -                             | -                 | -         | 50,000      | 50,000                   | -                 | -                    |
| Carried down |               |             |                | 5,850,000  | -                             | -                 | 343,002   | 4,906,999   | 2,673,669                | \$229,951         |                      |

\* The balance of options held by employees as at 30 June 2003 is adjusted for those who ceased to be employed by the consolidated entity during the financial year. The total number of options held by ex-employees at 30 June 2003 was 574,166.

## Notes continued

### 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

#### (a) Employee Option Plan (cont'd)

| Grant Date | Exercise Date | Expiry Date | Exercise Price | 1-Jul 2002       | Movement in number of Options |                   |           | 30-Jun 2003      | Number of Options Vested | Proceeds Received | Fair Value per share |   |
|------------|---------------|-------------|----------------|------------------|-------------------------------|-------------------|-----------|------------------|--------------------------|-------------------|----------------------|---|
|            |               |             |                |                  | Issued                        | Lapsed/ Forfeited | Exercised |                  |                          |                   |                      |   |
|            |               |             |                | Brought down     | 5,850,000                     | -                 | -         | 343,002          | 4,906,999                | 2,673,669         | \$229,951            | - |
| 29/11/2001 | 1/07/2003     | 29/11/2006  | \$3.25         | 50,000           | -                             | -                 | -         | 50,000           | -                        | -                 | -                    | - |
| 29/11/2001 | 1/07/2004     | 29/11/2006  | \$3.50         | 50,000           | -                             | -                 | -         | 50,000           | -                        | -                 | -                    | - |
| 29/11/2001 | 1/01/2005     | 29/11/2006  | \$4.00         | 50,000           | -                             | -                 | -         | 50,000           | -                        | -                 | -                    | - |
| 29/07/2002 | 29/07/2003    | 29/07/2007  | \$5.00         | -                | 300,000                       | -                 | -         | 300,000          | -                        | -                 | -                    | - |
| 29/07/2002 | 29/07/2004    | 29/07/2007  | \$6.00         | -                | 300,000                       | -                 | -         | 300,000          | -                        | -                 | -                    | - |
| 29/07/2002 | 29/07/2005    | 29/07/2007  | \$7.00         | -                | 200,000                       | -                 | -         | 200,000          | -                        | -                 | -                    | - |
| 29/07/2002 | 29/07/2005    | 29/07/2007  | \$8.00         | -                | 200,000                       | -                 | -         | 200,000          | -                        | -                 | -                    | - |
| 1/11/2002  | 1/01/2004     | 1/11/2007   | \$6.00         | -                | 25,000                        | -                 | -         | 25,000           | -                        | -                 | -                    | - |
| 1/11/2002  | 1/01/2005     | 1/11/2007   | \$6.00         | -                | 25,000                        | -                 | -         | 25,000           | -                        | -                 | -                    | - |
| 27/03/2003 | 1/09/2004     | 27/03/2008  | \$5.00         | -                | 10,000                        | -                 | -         | 10,000           | -                        | -                 | -                    | - |
|            |               |             |                | <b>6,000,000</b> | 1,060,000                     | -                 | 343,002   | <b>6,116,999</b> | 2,673,669                | \$229,951         |                      |   |

#### (b) Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the consolidated entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.



## Notes continued

30 JUNE 2003

### 23. SUBSEQUENT EVENTS

2003

On 10 July 2003, Treasury Group Limited acquired 35% of the issued capital of Confluence Asset Management Ltd. The business will focus on small capitalised companies listed on the Australian Stock Exchange.

Except the matter disclosed above, there have been no other significant events which have occurred subsequent to 30 June 2003.

|  | CONSOLIDATED            |                   |
|--|-------------------------|-------------------|
|  | 2003                    | 2002              |
|  | \$                      | \$                |
| <b>24. EARNINGS PER SHARE</b>  |                         |                   |
| The following reflects the income and share data used in the calculations of basic and diluted earnings per share: |                         |                   |
| Net profit   | 3,296,931               | 710,423           |
| <b>Adjustments:</b>  |                         |                   |
| Net profit attributable to outside equity interest   | (2,135,359)             | (451,277)         |
| Earnings used in calculating basic and diluted earnings per share  | <u>1,161,572</u>        | <u>259,146</u>    |
|  | <b>Number of shares</b> | Number of shares  |
| Weighted average number of ordinary shares used in calculating basic earnings per share:                           | <b>14,591,190</b>       | 11,998,846        |
| <b>Effect of dilutive securities:</b>  |                         |                   |
| Dilutive effect of potential ordinary shares - share options   | <b>4,748,964</b>        | 2,828,414         |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share                 | <u>19,340,154</u>       | <u>14,827,260</u> |

## Notes continued

| 30 JUNE 2003 | Notes | CONSOLIDATED |      | TREASURY GROUP LIMITED |      |
|--------------|-------|--------------|------|------------------------|------|
|              |       | 2003         | 2002 | 2003                   | 2002 |
|              |       | \$           | \$   | \$                     | \$   |

### 25. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

944,350      801,456

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Treasury Group Limited, directly or indirectly, from the entity or any related party:

454,998      474,000

The number of directors of Treasury Group Limited whose income (including superannuation contributions) falls within the following bands is:

|                       | No. | No. |
|-----------------------|-----|-----|
| \$0 – \$9,999         | 4   | 3   |
| \$450,000 – \$459,999 | 1   | -   |
| \$470,000 – \$479,999 | -   | 1   |

|  | Notes | CONSOLIDATED |      | TREASURY GROUP LIMITED |      |
|--|-------|--------------|------|------------------------|------|
|  |       | 2003         | 2002 | 2003                   | 2002 |
|  |       | \$           | \$   | \$                     | \$   |

### 26. REMUNERATION OF EXECUTIVES

Remuneration received or due and receivable by executive officers, including executive directors of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:

1,121,730      674,000

Remuneration received or due and receivable by executive officers, including executive directors of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as an executive officer or otherwise:

709,230      474,000

|  | No. | No. | No. | No. |
|--|-----|-----|-----|-----|
| The number of executives of the consolidated entity and the company whose remuneration falls within the following bands: |     |     |     |     |
| \$120,000 – \$129,999  | 1   | -   | 1   | -   |
| \$130,000 – \$139,999  | 1   | -   | 1   | -   |
| \$190,000 – \$199,999  | 1   | -   | -   | -   |
| \$200,000 – \$209,999  | -   | 1   | -   | -   |
| \$210,000 – \$219,999  | 1   | -   | -   | -   |
| \$450,000 – \$459,999  | 1   | 1   | 1   | 1   |

## Notes continued

| 30 JUNE 2003   | Notes  | CONSOLIDATED   |         | TREASURY GROUP LIMITED |        |
|--|--|----------------|---------|------------------------|--------|
|  |  | 2003           | 2002    | 2003                   | 2002   |
|  |  | \$             | \$      | \$                     | \$     |
| <b>27. AUDITORS' REMUNERATION</b>                                      |  |                |         |                        |        |
| Amounts received or due and receivable by Ernst & Young Australia for: |  |                |         |                        |        |
|  | – an audit or review of the financial report of the entity and any other entity in the consolidated entity | <b>140,223</b> | 61,500  | <b>56,500</b>          | 54,500 |
|  | – other services in relation to the entity and any other entity in the consolidated entity                 | <b>29,945</b>  | 42,904  | <b>11,780</b>          | -      |
|  |  | <b>170,168</b> | 104,404 | <b>68,280</b>          | 54,500 |

## Notes continued

30 JUNE 2003

### 28. RELATED PARTY DISCLOSURES

#### Directors

The directors of Treasury Group Limited during the financial year were:

L.D.P. IaFrate

R. Green

T.M. Poole

P.R. Kennedy (Appointed 4 June 2003)

M.B. de Tocqueville (Retired 14 August 2002)

#### Transactions with wholly-owned controlled entities

##### Management fees

During the year, Treasury Group Limited provided administrative services to a wholly-owned controlled entity. Dealings were on commercial terms and conditions. Details of management fees are disclosed in Note 2 to the financial report.

##### Loans

Loans advanced by Treasury Group Limited to wholly-owned subsidiaries are with no fixed repayment dates. Interest on the loans are charged at commercial fixed rates.

During the year, \$503,898 (2002: \$nil) was advanced to wholly-owned subsidiaries, while a repayment to the value of \$1,430,459 (2002: \$nil) was received. Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 2 and Note 9 to the financial report respectively.

#### Transactions with partly-owned controlled entities

##### Management fees

During the year, Treasury Group Limited provided administrative services to partly-owned controlled entities. Dealings were on commercial terms and conditions. Details of management fees are disclosed in Note 2 to the financial report.

##### Fund management fees

During the year, Treasury Group Limited paid \$9,431 (2002: nil) fund management fees to a partly-owned controlled entity for managing its investments. The fee is included in the fund administration fees on the statement of financial performance.

##### Dividend

Any dividend received is disclosed in Note 2.

##### Loan

During the year, Treasury Group Limited provided a loan of \$400,000 to a partly-owned controlled entity. The amount was fully repaid in the financial year. Interest on the loan was charged at commercial fixed rate. Details of interest income is disclosed in Note 2 to the financial report.

##### Payable

During the year, Treasury Group Limited acquired another 1,000,000 shares of the newly issued share capital of a controlled entity of \$1.00 each. The amount was payable at the reporting date.

#### Transactions with associate

##### Management fees

During the year, Treasury Group Limited provided administrative services to the associate. Dealings were on commercial terms and conditions. Details of management fees are disclosed in Note 2 to the financial report.

##### Loans

During the year, Treasury Group Limited provided a loan to the associate, aggregating \$1,093,007 (2002: \$109,642). The loan has been in accordance with a working capital loan facility and is on a long-term basis. No repayments were made during the year, however an amount of \$55,457 has been forgiven by Treasury Group Limited together with an outstanding trade receivable of \$18,328.

In accordance with the loan agreement, interest on the loan was charged at commercial fixed rate. Details of interest income is disclosed in Note 2 to the financial report.

##### Sub-let of operating lease

Property under operating lease has been sub-let to the associate. Details of the sub-let transaction is disclosed in Note 21 to the financial report.

# Notes continued

30 JUNE 2003

## 28. RELATED PARTY DISCLOSURES (cont'd)

### Transactions with directors

#### Acquisition

On 19 November 2002, Treasury Group Limited acquired from a director 75% interest in Orion Asset Management (Aust) Pty Ltd (formally known as Group Funds Management Pty Ltd) for \$75.

#### Disposal of non-current asset

During the year, the consolidated entity disposed of a computer notebook to director, Mr M.B. de Tocqueville, resulting in a loss of \$698.

### Transactions with director-related entity

#### Services

During the year, Treasury Group Limited and a controlled entity provided administrative and underwriting services to a director-related entity, a company of which Mr L.D.P. IaFrata and Mr P.R. Kennedy are directors. Dealings were on commercial terms and conditions. Details of management fees and the underwriting income amounting to \$25,000 are disclosed in Note 2 to the financial report.

#### Loan

During the year, a director-related entity provided a loan of \$400,000 to a partly-owned controlled entity. The amount was fully repaid in the financial year. Interest on the loan was charged at commercial fixed rate. Details of borrowing cost is disclosed in Note 3 to the financial report.

#### Receivable

During the year, a director-related entity acquired another 1,000,000 shares of the newly issued share capital of a controlled entity of \$1.00 each. The amount was receivable at the reporting date.

### Equity instruments of directors

#### Interests at balance date

Interests in the equity instruments of Treasury Group Limited held by directors of the reporting entity and their director-related entities:

|                | Ordinary Shares<br>Fully Paid |           | Options over<br>Ordinary Shares |           |
|----------------|-------------------------------|-----------|---------------------------------|-----------|
|                | 2003                          | 2002      | 2003                            | 2002      |
|                | Number                        | Number    | Number                          | Number    |
| L.D.P. IaFrata | 1,549,000                     | 1,547,053 | 500,000                         | 500,000   |
| R. Green       | 1,205,000                     | 1,200,000 | 1,800,000                       | 1,800,000 |
| T. Poole       | 12,000                        | 12,000    | -                               | -         |
| P.R. Kennedy   | -                             | -         | -                               | -         |
|                | <b>2,766,000</b>              | 2,759,053 | <b>2,300,000</b>                | 2,300,000 |

#### Movements in directors' equity holdings

- During the year, Mr L.D.P. IaFrata acquired 1,947 ordinary shares on market and Mr R. Green has also acquired 5,000 ordinary shares on market.
- There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities, except those disclosed in transactions with directors above.
- All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

## 29. SEGMENT INFORMATION

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

## Notes continued

30 JUNE 2003

### 30. FINANCIAL INSTRUMENTS

#### (a) Interest rate risk

The consolidated entity's exposures to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

|                              | Floating<br>Interest<br>Rate | Fixed Interest<br>maturing 1 yr<br>or less. | Fixed Interest<br>maturing 1 to<br>5 years | Fixed Interest<br>maturing in more<br>than 5 years or<br>without fixed<br>repayment terms | Non-Interest<br>bearing | Total carrying<br>amount as per<br>Statement of<br>Financial Position | Weighted<br>Average<br>Interest Rate |
|------------------------------|------------------------------|---|--|---|-------------------------|---|--------------------------------------|
| <b>2003</b>                  |                              |   |  |   |                         |   |                                      |
| <b>Financial assets</b>      |                              |   |  |   |                         |   |                                      |
| Cash                         | 1,646,244                    | 5,132,736                                   | -  | -   | -                       | 6,778,980   | 4.4%                                 |
| Receivables                  | -                            | -   | -  | 1,284,539   | 4,211,718               | 5,496,257   | 8.0%                                 |
| Investments (current)        | -                            | -   | -  | -   | 1,163,255               | 1,163,255   | N/A                                  |
| Other                        | -                            | -   | 83,132                                     | -   | 86,849                  | 169,981   | 4.4%                                 |
| <b>TOTAL</b>                 | <b>1,646,244</b>             | <b>5,132,736</b>                            | <b>83,132</b>                              | <b>1,284,539</b>  | <b>5,461,822</b>        | <b>13,608,473</b>   |                                      |
| <b>Financial liabilities</b> |                              |   |  |   |                         |   |                                      |
| Accounts payable             | -                            | -   | -  | -   | 1,432,388               | 1,432,388   | N/A                                  |
| <b>TOTAL</b>                 | <b>-</b>                     | <b>-</b>                                    | <b>-</b>                                   | <b>-</b>  | <b>1,432,388</b>        | <b>1,432,388</b>  |                                      |

N/A – not applicable for non-interest bearing financial instruments.

## Notes continued

30 JUNE 2003

### 30. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Interest rate risk (cont'd)

|                              | Floating<br>Interest<br>Rate | Fixed Interest<br>maturing 1 yr<br>or less. | Fixed Interest<br>maturing 1 to<br>5 years | Fixed Interest<br>maturing in more<br>than 5 years or<br>without fixed<br>repayment terms | Non-Interest<br>bearing | Total carrying<br>amount as per<br>Statement of<br>Financial Position | Weighted<br>Average<br>Interest Rate |
|------------------------------|------------------------------|---|--|---|-------------------------|---|--------------------------------------|
| <b>2002</b>                  |                              |   |  |   |                         |   |                                      |
| <b>Financial assets</b>      |                              |   |  |   |                         |   |                                      |
| Cash                         | 2,829,168                    | -   | -  | -   | -                       | 2,829,168   | 4.2%                                 |
| Receivables                  | -                            | -   | -  | 109,642   | 2,180,282               | 2,289,924   | 0.4%                                 |
| Investments (current)        | -                            | -   | -  | -   | 1,270,341               | 1,270,341   | N/A                                  |
| Other                        | -                            | -   | -  | -   | 125,220                 | 125,220   | N/A                                  |
| <b>TOTAL</b>                 | <b>2,829,168</b>             | <b>-</b>                                    | <b>-</b>                                   | <b>109,642</b>  | <b>3,575,843</b>        | <b>6,514,653</b>  |                                      |
| <b>Financial liabilities</b> |                              |   |  |   |                         |   |                                      |
| Accounts payable             | -                            | -   | -  | -   | 975,528                 | 975,528   | N/A                                  |
| <b>TOTAL</b>                 | <b>-</b>                     | <b>-</b>                                    | <b>-</b>                                   | <b>-</b>  | <b>975,528</b>          | <b>975,528</b>  |                                      |

## Notes continued

30 JUNE 2003

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30. FINANCIAL INSTRUMENTS (cont'd)

**(b) Net fair values**

All financial assets and liabilities have been recognised at the reporting date at their fair value, except:

1. Units in managed investment trust (current) with a carrying value of \$910,252 are carried below their net fair value of \$952,561. It is the group's accounting policy not to recognise the profit in the Statement of Financial Performance until the profit has been realised.
2. Shares in other corporations (non-current) with a carrying value of \$1,163,255 are carried in excess of their net fair value of \$921,913. The decline in net fair value is a result of the decline in the entire market value in Australia. The directors have decided not to write this investment down to its fair value as at the reporting date since it is their intention to hold the investment for the long term, unless the directors otherwise determine.

**(c) Credit risk exposures**

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.



## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are 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 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'L. IaFrate', with a long horizontal stroke extending to the right.

L. IaFrate  
Director

Melbourne, 28 August 2003

## Independent audit report to members of Treasury Group Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Treasury Group Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.



**Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

**Audit opinion**

In our opinion, the financial report of Treasury Group Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Treasury Group Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young  
Ernst & Young

The signature logo for Ernst & Young, consisting of a stylized cursive signature above the text 'Ernst & Young'.

A J (Tony) Johnson  
Partner  
Melbourne  
28 August 2003

A large, stylized cursive signature of A J (Tony) Johnson, followed by his name, title, location, and date.

## 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 2003).**

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   | 314               | 258,024           |
| 1,001   | –        | 5,000   | 219               | 572,880           |
| 5,001   | –        | 10,000  | 53                | 423,120           |
| 10,001  | –        | 100,000 | 71                | 2,137,134         |
| 100,001   | and over |         | 18                | 11,905,935        |
|   |          |         | <b>675</b>        | <b>15,297,093</b> |
| The number of shareholders holding less than a marketable parcel of shares are: |          |         | <b>5</b>          | <b>213</b>        |

**(b) Twenty largest shareholders (as at 25 August 2003)**

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

|    |  | Listed ordinary shares |                               |
|----|--|------------------------|-------------------------------|
|    |  | Number of shares       | Percentage of ordinary shares |
| 1  | AKAT Investments Pty Ltd                       | 2,500,000              | 16.2%                         |
| 2  | Squitchy Lane Holdings Pty Ltd                 | 2,151,500              | 14.0%                         |
| 3  | Top Pocket Pty Ltd                             | 1,549,000              | 10.0%                         |
| 4  | Mini Investments Pty Ltd                       | 1,205,000              | 7.8%                          |
| 5  | Permanent Trustee Australia Limited            | 709,417                | 4.6%                          |
| 6  | Banson Nominees Pty Ltd                        | 657,577                | 4.3%                          |
| 7  | Leyland Limited                                | 652,450                | 4.2%                          |
| 8  | HSBC International Trustee (Singapore) Limited | 610,000                | 4.0%                          |
| 9  | Mr Peter Bancroft                              | 515,000                | 3.3%                          |
| 10 | ANZ Nominees Limited                           | 509,500                | 3.3%                          |
| 11 | Compress Ventures Pty Ltd                      | 306,822                | 2.0%                          |
| 12 | Catholic Church Insurances Ltd                 | 248,250                | 1.6%                          |
| 13 | IFAN Pty Ltd                                   | 182,500                | 1.2%                          |
| 14 | Bond Street Custodians Limited                 | 159,115                | 1.0%                          |
| 15 | Mr Hugh Lauder Wallace                         | 150,000                | 1.0%                          |
| 16 | R I Wilson Pty Ltd                             | 100,000                | 0.6%                          |
| 17 | Mr Timothy Ryan                                | 100,000                | 0.6%                          |
| 18 | Mr Monik Kotecha                               | 92,833                 | 0.6%                          |
| 19 | Mr Gregory James Perry                         | 80,000                 | 0.5%                          |
| 20 | Harkosi Securities Pty Ltd <Super Fund>        | 78,600                 | 0.5%                          |
|    |  | <b>12,557,564</b>      | <b>79.1%</b>                  |

## ASX Additional Information

**(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**

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No notices were received during the year.

**(d) Voting rights**

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

**(e) Share restricted by voluntary escrow.**

As at the date of this report 100,000 ordinary shares were held in escrow. The voluntary escrow period ends on 15 January 2006.