

TREASURY GROUP LTD
ABN 39 006 708 792

AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E Preliminary Final Report

Name of entity

Treasury Group Limited

ABN : 39 006 708 792

1. Reporting period

Report for the financial year ended	30 June 2015
Previous corresponding period is the financial year ended	30 June 2014

2. Results for announcement to the market

Revenues from ordinary activities (item 2.1)	up	189%	to	<u>A\$'000s</u> 6,715
Profit (loss) from ordinary activities after tax attributable to members (item 2.2)	up	961%	to	138,723
Net profit (loss) for the period attributable to members (item 2.3)	up	961%	to	138,723
Dividends (item 2.4)		Amount per security		Franked amount per security
Interim dividend		24 cents		100%
Final dividend		28 cents		100%
Record date for determining entitlements to the dividend (item 2.5)		3 September 2015		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):				
The revenues were up due to service fees and interest recharged to associates.				
The Group generated net profits attributable to members of Treasury Group Ltd of \$138.7 million for the year ended 30 June 2015. This includes \$130.8 million net gain on the sale of business to Aurora Trust. This compares with a net profit attributable to members of Treasury Group Ltd of \$13.0 million reported for the corresponding period ended 30 June 2014.				

Results Commentary

A copy of the financial report for the year ended 30 June 2015 is attached. Treasury Group Limited (TRG) and its subsidiaries and associates (Group) reflect the consolidation of results of the following entities:

Treasury Group Limited (head company)	
Aurora Investment Management Pty Ltd (Trustee of Aurora Trust)	(100%)
AR Capital Management Pty Ltd	(100%)

The results reflect the recognition of the share of profits of the following associates:

Aurora Trust ¹	(64%)
Investors Mutual Ltd ²	(47%)
IML Investment Partners Limited ²	(40%)
RARE Infrastructure Limited ²	(40%)
RARE IP Trust ²	(40%)
Orion Asset Management Limited ²	(49%)
Celeste Funds Management Ltd	(39%)
Octis Asia Asset Management Ltd ²	(20%)
ROC Partners ²	(15%)
Evergreen Capital Partners Pty Ltd ²	(30%)
Aubrey Capital Management Pty Ltd ²	(0%)
Freehold Investment Management Ltd ²	(0%)

¹ Acquired on 25 November. Aurora Trust is an international multi-boutique asset manager holding interests in various boutiques in Australia, United States and other jurisdictions.

² Sold on 24 November 2014.

Treasury Group's net profit after tax was \$138.7 million. This was up 961% from the headline number of \$13.06 million in 2014 which included a number of items that are not considered as forming part of underlying profit. Earnings per share increased from 56.6 cents to 541.5 cents. When the results are analysed on an underlying basis, the comparative position would be an increase in net profit of 33%. The analysis below highlights the reconciliation of the headline profit result to the underlying result:

	<u>2015 (\$m)</u>	<u>2014 (\$m)</u>
Net profit after tax	138.72	13.07
Add back/(Less):		
Gain on sale of business to Aurora	(130.83)	-
Impairment of WHV by Aurora (TRG share)	10.76	
Impairment of goodwill	-	0.25
Impairment charge of a subsidiary	-	0.04
Legal and consulting fees	-	0.16
Write off of deferred tax asset in subsidiary (GVI)	-	<u>0.52</u>
Underlying profit	18.65	14.04

The results of 2014/15 reflect the merged group from 25 November 2014 to 30 June 2015 and Treasury Group's stand alone result from 1 July to 24 November.

On 5 August 2014, the Company announced the merger with Northern Lights Capital Group, a multi-boutique business based in the United States.

On 25 November 2014, Treasury Group Ltd and Northern Lights announced completion of the previously announced transaction to merger both companies into an international multi-boutique funds management group with an effective date of 25 November 2014.

A new Australian trust (called Aurora Trust) has been established which, at 25 November 2014, is owned 64.03% by Treasury Group Ltd, 27.19% by Northern Lights and 8.78% by BNP Paribas Asset Management, LLC (BNP). Aurora Trust is an international multi-boutique asset manager holding interests in various boutiques in Australia, United States and other jurisdictions.

Post completion, Treasury Group and Northern Lights sold their respective businesses including their assets (except Del Rey and Celeste) and liabilities to Aurora in exchange for units in Aurora. For accounting purpose, this transfer is a sale and a gain on sale was recognized at the time of completion which is determined by the difference between the carrying value and fair value of such assets and liabilities at the time of transfer. The fair value of Treasury Group's assets on completion date was \$247.7 million. The gain on sale recognised in the financial statements is net of the transaction costs incurred in this transaction and the related income tax expense.

Aurora Trust is treated as an associate in the accounts of Treasury Group. The key function of the Trust and the overall business is the investment in asset managers. The decision making process in relation to the investments requires unanimous approval by an Investment Committee and approved by a majority of directors by Treasury Group and Northern Lights. The accounting will follow the principles of equity accounting.

At 30 June 2015, Aurora was owned 64.03% by Treasury Group, 27.19% by Northern Lights and 8.78% by BNP. Aurora holds interest on 19 boutiques (ranging from traditional equities to alternatives and private equity) which collectively have approximately A\$49.0bn of FUM as of 30 June 2015.

On 29 July 2015, the shareholders of RARE Infrastructure Ltd (RARE) including Treasury Group and Northern Lights have entered into a binding agreement to sell the majority interest in RARE to Legg Mason.

Under the proposed structure, the total transaction consideration is approximately \$200m, with an upfront cash proceeds of \$112m to be received on November 2015; a three-year earn-out of up to \$42m and 10% retained equity interest in RARE subject to two-year differentiated option pricing: call option by Legg Mason at a fixed multiple of RARE revenues and put option by Aurora Trust at "fair market value".

For the details, please refer to the attached unaudited Preliminary Final Report for the year ended 30 June 2015.

3. Preliminary Final Report (item 3)

Refer to the report attached

4. Dividends (item 9)

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2015	25 March 2015	\$6,624,995
Final dividend – year ended 30 June 2015	30 September 2015	\$7,738,682

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend: Current year	52 cents	100%	n/a
Previous year	50 cents	100%	n/a

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	14,363	11,705
Preference securities (each class separately)	n/a	n/a
Other equity instruments (each class separately)	n/a	n/a
Total	14,363	11,705

5. Details of dividend or distribution reinvestment plans in operation are described below (item 10):

Not applicable.

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

Not applicable

6. Statement of retained earnings (item 11)

Refer Note 18 (e) in the attached 30 June 2015 Annual Report.

7. Net tangible assets per security (item 12)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$8.11	\$2.70

8. Details of entities over which control has been gained or lost during the period: (item13)

Control gained over entities

Name of entities (item 4.1)	Aurora Trust
Date(s) of gain of control (item 4.2)	25 November 2015

Loss of control of entities

Name of entities (item 4.1)	Treasury Group Investment Services Limited (100%) Global Value Investors Ltd (100%) Treasury Evergreen Pty Limited (100%) Treasury Group Nominees Pty Ltd (100%) Treasury Capital Management Pty Ltd (100%) Investors Mutual Limited (47%) IML Investment Partners Limited (40%) RARE Infrastructure Limited (40%) RARE IP Trust (40%) Octis Asia Asset Management Ltd (20%) ROC Partners (15%) Aubrey Capital Management Pty Ltd (0%) Freehold Investment Management Ltd (15%) Orion Asset Management Limited (49%)
Date(s) of loss of control (item 4.2)	24 November 2015
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).	\$9,211,492
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$15,125,908

9. Details of associates

Name of associate or joint venture entity	% Securities held
Aurora Trust ¹	64
Investors Mutual Limited ²	47
IML Investment Partners Limited ²	40
RARE Infrastructure Ltd ²	40
RARE IP Trust ²	40
Orion Asset Management (Aust) Pty Ltd ²	49
Celeste Funds Management Ltd	39
Octis Asia Asset Management Pte Ltd ²	20
ROC Partners ²	15
Aubrey Capital Management Ltd ²	0
Freehold Investment Management ²	0

¹ Acquired 25 November. Aurora Trust is an international multi-boutique asset manager holding interests in various boutiques in Australia, United States and other jurisdictions.

² Sold on 24 November 2014.

Aggregate share of profits of associates

Group's share of associates:

Profit from ordinary activities before tax

Income tax on ordinary activities

Net profit from ordinary activities after tax

Adjustments

Share of net profit of associates:

	2015 \$'000	2014 \$'000
Profit from ordinary activities before tax	8,961	28,246
Income tax on ordinary activities	(3,947)	(8,474)
Net profit from ordinary activities after tax	5,014	19,772
Adjustments	-	-
Share of net profit of associates:	5,014	19,772

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

Refer attached preliminary financial accounts.

11. The financial information provided in the Appendix 4E is based on the preliminary final report (attached), which has been prepared in accordance with Australian accounting standards (*item 16*).

12. Commentary on the results for the period.

NA

13. Audit of the financial report

- The accounts are currently in the process of being audited.



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Candice Driver

Company Secretary

26 August, 2015

Treasury Group Ltd

Preliminary Final Report
For the year ended 30 June 2015

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$	2014 \$
Continuing Operations			
Revenues	1 (a)	6,714,712	2,323,656
Net gain on investments	1 (b)	195,410,403	845,156
Salaries and employee benefits expenses	1 (c)	(5,266,779)	(4,466,383)
Other expenses	1 (c)	(1,991,791)	(3,286,577)
Share of net profits of equity accounted investments	1 (d)	5,014,466	19,771,800
Profit before income tax		199,881,011	15,187,652
Income tax (expense)		(61,157,887)	(2,109,758)
Profit for the year		138,723,124	13,077,894
Attributable to:			
Non-Controlling Interest		-	16,080
Members of the Parent	5 (e)	138,723,124	13,061,814
Earnings per share (cents per share)			
• basic for profit for the year attributable to ordinary equity holders of the parent		541.5	56.6
• diluted for profit for the year attributable to ordinary equity holders of the parent		541.5	56.6
Franked dividends paid per share (cents per share) for the financial year		51	46

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
Profit for the year	138,723,124	13,077,894
Other Comprehensive Income		
Items that may be reclassified to profit and loss		
Net unrealised (losses) on available-for-sale investments taken to equity	-	(213,894)
Income tax relating to items reclassified	-	64,169
Profit before income tax	(213,684)	-
Share of associate's foreign currency translation reserve	(4,458,846)	-
Share of after-tax gain on available-for-sale investments of an associate	147,103	(13,250)
	<u>(4,525,427)</u>	<u>(162,975)</u>
Other comprehensive (loss) for the year	(4,525,427)	(162,975)
Total comprehensive income for the year	<u>134,197,697</u>	<u>12,914,919</u>
Attributable to:		
Non-Controlling Interest	-	16,080
Members of the Parent	<u>134,197,697</u>	<u>12,898,839</u>

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	2 (a)	1,056,243	12,860,219
Trade and other receivables		8,829,670	11,117,179
Other assets		-	1,093,163
Total Current Assets		9,885,913	25,070,561
Non-Current Assets			
Trade and other receivables		-	833,073
Investments accounted for using the equity method	4	275,341,759	29,242,193
Deferred tax		-	781,881
Available-for-sale investments		-	11,005,105
Loans and other receivables		-	4,797,624
Plant and equipment		-	61,447
Intangibles		-	12,540
Total Non-Current Assets		275,341,759	46,733,863
Total Assets		285,227,672	71,804,424
Current Liabilities			
Trade and other payables		2,002,212	7,671,969
Provisions		328,765	221,903
Total Current Liabilities		2,330,977	7,893,872
Non-Current Liabilities			
Provisions		207,445	135,882
Deferred tax		58,769,497	-
Total Non-Current Liabilities		58,976,942	135,882
Total Liabilities		61,307,919	8,029,754
Net Assets		223,919,753	63,774,670
Equity			
Equity attributable to equity holders of the parent			
Contributed equity	5 (a)	69,500,943	29,594,265
Reserves	5 (f)	(1,373,280)	4,088,120
Retained profits	5 (e)	155,792,090	30,092,285
Total Equity		223,919,753	63,774,670

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

Consolidated Statement of Changes in Equity

	Ordinary shares	Share options reserve	Net unrealised gains reserve	Foreign Currency Translation Reserve	Retained earnings	Total
FOR THE YEAR ENDED 30 JUNE 2015						
	\$	\$	\$	\$	\$	\$
As at 1 July 2014	29,594,265	3,874,436	213,684	-	30,092,285	63,774,670
Total comprehensive income for the year	-	-	(66,581)	(4,458,846)	138,723,124	134,197,697
Issuance of shares due to vesting of performance rights	1,027,859	(1,027,859)	-	-	-	-
Issuance of shares	38,878,819	-	-	-	-	38,878,819
Share-based payments	-	91,886	-	-	-	91,886
Dividends paid	-	-	-	-	(13,023,319)	(13,023,319)
At 30 June 2015	69,500,943	2,938,463	147,103	(4,458,846)	155,792,090	223,919,753
FOR THE YEAR ENDED 30 JUNE 2014						
As at 1 July 2013	29,594,265	3,447,286	376,659	27,643,019	16,196	61,077,425
Total comprehensive income for the year	-	-	(162,975)	13,061,814	16,080	12,914,919
Issuance of shares	-	427,150	-	-	-	427,150
Share-based payments	-	-	-	-	(32,276)	(32,276)
Dividends paid	-	-	-	(10,612,548)	-	(10,612,548)
At 30 June 2014	29,594,265	3,874,436	213,684	30,092,285	-	63,774,670

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		19,269,533	20,675,949
Payments to suppliers and employees		(24,544,608)	(27,016,738)
Dividends and distributions received		7,872,346	17,885,459
Interest received		1,821,573	615,407
Net cash flows from operating activities	2 (b)	4,418,844	12,160,077
Cash flows from investing activities			
Proceeds from disposal of available-for-sale investments		6,900,946	3,281,492
Purchase of available-for-sale investments		-	(2,300,000)
Repayment of loans by associates		2,270,505	1,889,028
Advances to associates		(4,631,511)	(2,450,000)
Advances to other related party		-	(600,000)
Proceeds from disposal of investment accounted for under equity method		-	235,960
Purchase of investment accounted for under the equity method		(44,828,548)	(811,420)
Purchase of plant and equipment		-	(15,224)
Purchase of intangible assets		-	(1,817)
Cash held by deconsolidated entities		(1,789,712)	-
Net cash flows from/(used in) investing activities		(42,078,320)	(771,981)
Cash flows from financing activities			
Issue of shares, net of transaction costs		38,878,819	-
Equity dividends paid on ordinary shares		(13,023,319)	(10,612,548)
Shares bought back for non-controlling interest		-	(32,276)
Net cash flows from/(used in) financing activities		25,855,500	(10,644,824)
Net (Decrease)/Increase in cash and cash equivalents		(11,803,976)	743,272
Cash and cash equivalents at beginning of year		12,860,219	12,116,947
Cash and cash equivalents at end of year	2 (a)	1,056,243	12,860,219

The above statement of cash flows should be read in conjunction with the accompanying notes. The non-cash investing items in relation to acquisition of units in Aurora is \$248,862,193.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
1. Revenue and Expenses		
(a) Revenues from continuing operations		
Fee income		
Fund management fees	9,636	423,461
Service fees	4,285,442	1,229,355
Total fee income	4,295,078	1,652,816
Dividends and distributions		
Unit trust distributions	-	147,947
Total dividends and distributions	-	147,947
Interest		
Related parties		
Associates	1,011,220	323,329
Other persons/corporations	244,114	199,564
Total interest	1,255,334	522,893
Other Income		
Cost recovery from Aurora	1,164,300	-
Total other income	1,164,300	-
Total revenues	6,714,712	2,323,656
(b) Gains on investments		
Net gain on sale of investments to Aurora Trust ¹	195,104,042	-
Net gain on disposal of available-for-sale investments	306,361	886,168
Impairment of investment in subsidiary (AR Capital Management)	-	(41,012)
Total gains on investments	195,410,403	845,156

¹ This is the gain on sale of investment is the result of the sale of Treasury Group's business to Aurora on 25 November 2014 which is determined as the difference between the carrying amount and fair value of such assets and liabilities transferred at the time of transfer, net of transaction costs related to the merger. The fair value of Treasury Group's assets on 25 November 2014 was \$247,697,894. The amount of income tax expense on the net gain is \$64,269,849.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
1. Revenue and Expenses		
(c) Expenses		
Salaries and employee benefits		
Salaries and employee benefits	5,174,893	4,039,233
Share-based payment expense arising from equity-settled share-based payment transactions	91,886	427,150
	5,266,779	4,466,383
Depreciation and amortisation		
Furniture & fittings	597	1,747
Office equipment	18,221	20,916
Leasehold improvements	1,679	1,384
Software	2,878	7,717
Total depreciation and amortisation of non-current assets	23,375	31,764
Other expenses		
Accounting & audit fees	62,561	259,657
Operating lease rental – minimum lease payments	375,086	375,529
Marketing & communication expenses	49,411	138,845
Travel & accommodation costs	99,059	242,191
Payroll tax	148,648	122,514
Legal & compliance fees	129,130	165,742
Consulting fee & IT charges	486,351	791,152
Insurance charges	56,610	151,283
Directors' fees (non-executives)	415,263	375,439
Share registry & ASX fees	89,924	116,567
Subscriptions and training expenses	55,515	142,812
Impairment of goodwill	-	252,764
Other expenses	858	120,318
	1,968,416	3,254,813
Total other expenses	1,991,791	3,286,577
	Consolidated	
	2015	2014
	\$	\$
(d) Share of net profits of equity accounted investments		
Share in net loss of Aurora (from 25 November 2014 to 30 June 2015)	(4,197,027)	-
Share in net profits from associates (from 1 July to 24 November 2014)	9,211,493	19,771,800
Total share in net profits of equity accounted investments	5,014,466	19,771,800

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
2. Cash and Cash Equivalents		
(a) Reconciliation of cash and cash equivalents		
Cash balance comprises:		
– Cash at bank and on hand	1,056,243	12,860,219
Closing cash balance	<u>1,056,243</u>	<u>12,860,219</u>
(b) Reconciliation		
Profit for the year	138,723,124	13,077,894
Adjustments for		
Share of associates' net profits	(5,014,466)	(19,771,800)
Dividend and distribution received from associates	11,544,906	19,805,351
Impairment of investment in subsidiary	-	41,012
(Gain) on sale of investments to Aurora Trust	(195,104,042)	-
(Gain) on sale of available-for-sale investments	(306,361)	(886,168)
Depreciation and amortisation of non-current assets	23,375	31,764
Impairment of goodwill	-	252,764
Non-cash distributions, dividends and other income	(1,164,300)	(147,946)
Non-cash interest	(158,692)	(28,874)
Share-based payments	91,996	427,150
Foreign exchange loss	-	5,900
Others	(2,490,486)	85,416
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	2,287,509	(3,538,493)
Decrease/(increase)/decrease in other assets	1,926,236	(1,027,046)
Decrease in deferred tax assets	781,881	1,978,233
(Decrease)/increase in trade and other payables	(5,669,758)	1,809,987
Increase in current provisions	106,862	8,701
Increase in non-current provisions	71,563	36,232
Increase in deferred tax	58,769,497	-
Net cash flow from operating activities	<u>4,418,844</u>	<u>12,160,077</u>

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

3. Trade and Other Receivables

Current

Trade receivables	1,035,681	6,500,907
Sundry receivables	64,828	3,988
Other receivables	-	161,265
Related party receivables		
Associates		
- Dividend	-	1,416,600
- Distribution	7,729,161	2,640,000
- Other	-	394,419
	<u>8,829,670</u>	<u>11,117,179</u>

CONSOLIDATED

2015 2014

\$ \$

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Aurora	275,341,759	-
Investments in associates ¹	-	29,242,193
	275,341,759	29,242,193

Investment in Aurora is comprised of the following:

Cash Investment	44,628,432	-
Non-cash investment	248,862,193	-
Share in net loss for the year	(4,197,028)	-
Distribution received/receivable	(7,729,161)	-
Share in unrealised foreign currency translation reserve	(6,369,780)	-
Share in net unrealised gain reserve	147,103	-
Total	275,341,759	-

(a) Interests in associates

Ownership interest held by consolidated entity

Name	Balance date	2015	2014
		%	%
Aurora Trust - units	30 June	64.03	-
Investors Mutual Ltd – ordinary shares	30 June	-	47.22
Orion Asset Management (Aust) Pty Ltd - ordinary shares	30 June	-	49.99
RARE IP Trust – units	30 June	-	40.00
RARE Infrastructure Ltd – ordinary shares	30 June	-	40.00
IML Investment Partners Ltd – ordinary shares	30 June	-	40.00
Celeste Funds Management Ltd – ordinary shares ¹	30 June	39.17	39.17
Octis Asset Management Pte Ltd – ordinary shares	30 June	-	20.00
ROC Partners	30 June		15.03

Principal activity

- Aurora is a global investment management trust. It holds interest on 20 boutiques ranging from traditional equities to alternatives and private equity.
- Investors Mutual Ltd provides a funds management capability to both institutional and retail investors.
- Orion Asset Management (Aust) Pty Ltd is the parent company of Orion Asset Management Ltd, a wholesale fi
- RARE IP Trust and RARE Group [RARE Infrastructure Ltd, RARE North America, RARE Infrastructure Sovereign Enterprise, RARE Infrastructure (Europe) Ltd, RARE Infrastructure (UK) Ltd, RARE Infrastructure (USA) Inc.] are funds management businesses specialising in listed global infrastructure assets.
- IML Investment Partners Ltd provides investment sub advisory services to Investors Mutual Ltd.
- Celeste Funds Management Limited is an Australian equity manager with a smaller companies focus.
- Octis Asset Management Pte Ltd is an Asian multi strategy equity manager based in Singapore.
- ROC Partners is an Australian and Asian private equity investment and advice business.

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

¹ While Treasury Group remains the legal owner of shares in Celeste, the investment value is zero as the economic rights in Celeste were transferred to Aurora.

5. CONTRIBUTED EQUITY AND RESERVES

	2015	2014
(a) Ordinary shares	\$	\$
Issued and fully paid	<u><u>69,500,943</u></u>	<u><u>29,594,265</u></u>

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

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

(b) Movements in ordinary shares on issue

TREASURY GROUP LTD

	2015		2014	
	Number of shares	\$	Number of shares	\$
Beginning balance	23,070,755	29,594,265	23,070,755	29,594,265
Issued on 6 August 2014	626,743	1,027,859	-	-
Issued on 18 December 2014	2,926,830	28,835,705	-	-
Issued on 23 January 2015	979,816	10,043,114	-	-
Balance at end of the year	<u><u>27,604,144</u></u>	<u><u>69,500,943</u></u>	<u><u>23,070,755</u></u>	<u><u>29,594,265</u></u>

On 6 August 2014, Treasury Group issued 626,743 ordinary shares on exercise of 626,743 performance rights issued under the Treasury Group Performance Rights Plan for its executives. As a result of this share issue, \$1,027,859 was transferred from the equity-settled share options reserve to issued capital.

On 18 December 2014, Treasury Group Ltd issued 2,926,830 fully paid ordinary shares at \$10.25 as a result of institutional placement. The proceeds from the placement were used to subscribe for additional units in Aurora.

On 23 January 2015, Treasury Group Ltd issued 979,816 fully paid ordinary shares at \$10.25 as a result of Share Purchase Plan (SPP). The proceeds from the placement were used to subscribe for additional units in Aurora.

(c) Capital management

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

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

During the year ended 30 June 2015, management paid dividends of \$13,023,319 (2014: \$10,612,548). Directors anticipate that the payout ratio of the underlying profit pre-merger is 60-80%. Going forward post-merger, payout ratio is 80%-100% of Aurora's distribution to Treasury Group.

As part of the completion of the transaction, Aurora issued Class B & C units which are exchangeable (at the holders' election) to Treasury Group shares at the following fixed ratios:

- (i) Any time from 13 April 2015 – 1 Treasury Group share for every 1 Class C unit
- (ii) Any time from 24 November 2014 – 2 Treasury Group shares for every 3 Class B units
- (iii) Any time from 24 November 2017- 5 Treasury Group shares for every 6 Class B units
- (iv) Any time from 24 November 2019 – 1 Treasury Group share for 1 class B unit
- (v) In the event of takeover – 1 Treasury Group share for each Class B & C units
- (vi) In the event of Qualified Public Offering (QPO) does not occur during QPO period, for an exchange occurring on and from the expiration of the QPO period – 1 Treasury Group share for each Class B & C units

CONSOLIDATED

2015	2014
\$	\$

5. CONTRIBUTED EQUITY AND RESERVES (Cont)

(d) Long term incentives- performance rights

There were no performance rights issued to officers and employees during the year. The performance rights outstanding as at 30 June 2015 represent the 100,000 performance rights issued to certain employees on 7 August 2013. The performance rights on issue were valued based on the valuation made by RSM Bird Cameron using a hybrid monte-carlo/binomial option pricing model. The value of each right at issue was \$1.64. The value of outstanding performance rights is \$164,000 amortised over three years from the grant date.

The amount of performance rights amortisation expense for the period was \$91,886 (2014:\$427,150).

Total value of outstanding performance rights is \$60,402. This includes unamortised performance rights that were valued at \$1.64.

There were no performance rights that lapsed during the year.

On 1 July 2015, performance rights issued to certain employees on 1 July 2012 have vested at 96% for the 8,731 performance rights issued and 82% for the 31,250 performance rights issued. Accordingly, a total of 34,007 Treasury Group shares were issued to these employees.

(e) Retained profits

Balance at the beginning of the year	30,092,285	27,643,019
Profit for the year	138,723,124	13,061,814
Dividends	(13,023,319)	(10,612,548)
Balance at end of year	155,792,090	30,092,285

(f) Reserves

Net unrealised gains reserve

Balance at the beginning of the year	213,684	376,659
Net unrealised (losses) on available for sale investments taken to equity	-	(213,894)
Reversal of net unrealised losses on available-for-sale sold during the year	(213,684)	-
Income tax relating to items not reclassified	-	64,169
Share of after-tax gain on available for sale investments of associates	147,103	(13,250)
Balance at end of year	147,103	213,684

Share options reserve

Balance at end of year	2,938,463	3,874,436
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Foreign currency translation reserve

Share of associate's foreign currency translation reserve (after tax)	(4,458,846)	-
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Total Reserves	(1,373,280)	4,088,120
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Net unrealised gains reserve

The reserve records share of after-tax gain on available-for-sale investments of associates.

Share options reserve

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

Foreign currency translation reserve

The reserve records share on exchange differences on translating foreign operation of an associate.

6. SEGMENT INFORMATION

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

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

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

	CONSOLIDATED	
	2015	2014
	\$	\$
Segment profit after tax for the year		
Australian unlisted trust ¹	(4,197,028)	-
Outsourcing and responsible entity services	341,030	338,150
Australian equities	3,014,912	7,478,915
Alternative investments	6,176,823	11,841,348
	5,335,737	19,658,413
Central administration costs	133,387,387	(6,580,519)
Total per Income Statement	138,723,124	13,077,894

Effective 25 November 2015, Treasury Group reports its segment as Australian unlisted trust.

Segment net assets for the year

Australian unlisted trust	216,698,239	-
Australian equities	-	21,233,035
Outsourcing and responsible entity services	-	5,625,758
Alternative investments	-	23,362,365
		50,221,158
Central administration	7,221,514	13,553,512
Total per Statement of Financial Position	223,919,753	63,774,670

As at 30 June 2015, the Australian unlisted trust above includes the equity accounted investment in Aurora.