TREASURY GROUP LTD
ABN 39 006 708 792

AND CONTROLLED ENTITIES

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2010
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

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 2010
Previous corresponding period is the financial year ended	30 June 2009

2. Results for announcement to the market

				A$'000s
Revenues from ordinary activities *(item 2.1)*	down	6.7%	to	5,602
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	up	136.1%	to	11,676
Net profit (loss) for the period attributable to members *(item 2.3)*	up	136.1%	to	11,676

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	12 cents	100%
Final dividend	14 cents	100%
Record date for determining entitlements to the dividend *(item 2.5)*	6 September 2010	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*:

Results Commentary

A copy of the financial report for the year ended 30 June 2010 is attached. Treasury Group Limited (TRG) and its subsidiaries, jointly controlled entities and associates (Group) reflect the consolidation of results of the following entities:

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

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

Orion Asset Management Limited	(42%)
Investors Mutual Limited (consolidated)	(48%)
Global Value Investors Limited	(49%)
Treasury Asia Asset Management Limited	(40%)
RARE Infrastructure Limited	(40%)
RARE IP Trust	(40%)
IML Investment Partners Limited (formerly Cannae)	(40%)
Celeste Funds Management Limited	(39%)
AR Capital Management Pty Ltd	(30%)
Aubrey Capital Management Pty Ltd	(0%)*

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

The profitability of the group has increased markedly due to strong net inflows, a continued focus on expense management and greater stability in global financial markets.

During the period interests were acquired in AR Capital Management Limited, Celeste Funds Management Limited and Aubrey Capital Management Ltd. As a result of these acquisitions the profit after tax includes a profit of $695,962 relating to the effect of the operating results of these businesses from the date of acquisition and a $550,335 gain made on acquisition of these interests. These results are reflected in the share of net profits of equity accounted investments in the 30 June 2010 financial report.

On 1 April 2010, Investors Mutual Limited a jointly controlled entity of Treasury Group Ltd entered into a sub advisory agreement with IML Investment Partners Limited (formerly Cannae Capital Partners Ltd) to perform a sub advisory role to exclusively manage funds for Investors Mutual Limited and institutional clients. Due to the introduction of a new capital structure the Cannae Capital Partners Ltd convertible note previously held by TRG was cancelled on finalisation of this structure. Accordingly, the value of the convertible note has been reduced to zero, resulting in a writedown of $128,640 for the year ended 30 June 2010.

On the implementation of the new capital structure for IML Investment Partners Limited (formerly Cannae Capital Partners Ltd), TRG converted the loan previously provided to Cannae to equity. This resulted in the pre tax writeback of the $497,123 impairment charge that was previously taken through the 30 June 2009 TRG result.

On 29 June 2010 David Cooper provided notice of his resignation from TRG, with his resignation scheduled for December 2010. In accordance with the terms of the Employee Option Plan, the options assigned to David Cooper lapsed and have been terminated which has resulted in a positive re-charge to share based payment expense relating to prior period charges for these options.

The important feature of the 2009/10 result was the continued diversification of TRG's business by earnings, by manager, by client and by geography.

For the details, please refer to the attached Annual Report for the year ended 30 June 2010.

3. Income Statement *(item 3)*

Refer to the attached statement

4. Balance Sheet *(item 4)*

Refer to the attached statement

5. Statement of Cash Flows *(item 5)*

Refer to the attached statement

6. Dividends *(item 6)*

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2010	26 March 2010	$2,768,491
Final dividend – year ended 30 June 2010	24 September 2010	$3,229,906

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend: Current year	26 cents	100%	n/a
Previous year	20 cents	100%	n/a

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities (*each class separately)*	5,998	4,614
Preference securities (*each class separately)*	n/a	n/a
Other equity instruments *(each class separately)*	n/a	n/a
Total	**5,998**	**4,614**

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

Not applicable.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	Not applicable

8. Statement of retained earnings *(item 8)*

Refer Note 20 (e) in the attached 30 June 2010 Annual Report.

9. Net tangible assets per security *(item 9)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$2.43	$2.16

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

Control gained over entities

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

Loss of control of entities

Name of entities *(item 4.1)*	Refer notes 6 and 11 included on pages 52 and 59 respectively of the 30 June 2010 Annual Report.
Date(s) of loss of control *(item 4.2)*	Refer notes 6 and 11 included on pages 52 and 59 respectively of the 30 June 2010 Annual Report.
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).*	Refer notes 6 and 11 included on pages 52 and 59 respectively of the 30 June 2010 Annual Report.
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*	Refer notes 6 and 11 included on pages 52 and 59 respectively of the 30 June 2010 Annual Report.

11. Details of associates and joint venture entities

Name of associate or joint venture entity	% Securities held
Investors Mutual Limited	47.5
Orion Asset Management (Aust) Pty Ltd	41.9
RARE Infrastructure Ltd	40
Global Value Investors Limited*	25
Treasury Asia Asset Management Limited	40
RARE IP Trust	40
IML Investment Partners Limited (formerly Cannae Capital Partners Limited)	40
Celeste Funds Management Ltd	39
AR Capital Management Pty Ltd	30
Aubrey Capital Management Ltd^	0

* This direct equity ownership in GVI does not include the indirect 24% (2009: 27%) TRG Group equity ownership held via IML to GVI.
^ Treasury Group Limited acquired convertible preference shares which could entitle TRG to take 20% of its capital.

Aggregate share of profits of associates and joint venture entities

Group's share of associates and joint venture entities:	2010 $'000	2009 $'000
Profit from ordinary activities before tax	20,064	13,098
Income tax on ordinary activities	(6,019)	(3,995)
Net profit from ordinary activities after tax	14,045	9,103
Adjustments	-	-
Share of net profit of associates and joint venture entities	14,045	9,103

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

Refer note on results commentary.

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

14. Commentary on the results for the period.

Include significant information needed by an investor to make an informed assessment of the entity's activities and results, including discussion of the following: *Item 14.1 Earnings per security and nature of any dilution aspects* *Item 14.2 Returns to shareholders including distributions and buy backs* *Item 14.3 Significant features of operating performance* *Item 14.4 Results of segments that are significant to understanding the business as a whole* *Item 14.5 A discussion of trends in performance* *Item 14.6 Any other factors that have affected results in the period or likely to affect future results, including those where the effect could not be quantified*

15. Audit of the financial report

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

……………………………….

Reema Ramswarup

Company Secretary

25 August, 2010

Treasury Group Ltd

Annual Report 2010

Corporate Information

ABN 39 006 708 792

Directors

M. Fitzpatrick (Chairman)
M. Burgess
D. Cooper
P. Kennedy
R. Hayes

Company Secretary

Reema Ramswarup

Registered Office

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

Bankers

Westpac Banking Corporation

Share Register

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

Auditors

Deloitte Touche Tohmatsu

Internet Address

www.treasurygroup.com

Contents

Directors' Report

Your Directors submit their report for the year ended 30 June 2010.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

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

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

Mark Burgess, (Managing Director)

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

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

Mr Cooper joined the board on 8 August 2005, and was the Chief Executive Officer (CEO) of the company from July 2004 until October 2008. Mr Cooper joined Treasury Group Limited in July 2002 as Strategic Investments Manager. Prior to joining the Company, he was the Head of the Institutional Division at Perpetual Investments Ltd. On 29 June 2010, Mr Cooper gave notice of resignation to leave Treasury Group Limited on December 2010.

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

Mr Kennedy joined the Board on 4 June 2003, is a senior partner with Madgwicks lawyers and has over 30 years experience in commercial law. He is the Chairman of the Audit Committee and the Remuneration Committee.

During the past four years Mr Kennedy has also served as a Chairman of the following other listed companies:

- Australian Value Funds Management Limited (now called Prime Financial Group Ltd)

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

Reubert Hayes joined the Board on 22 February 2007. Mr Hayes has over 40 years experience in investment management and stockbroking research, and was a founder and CEO of Ausbil Dexia Limited, a specialist wholesale boutique asset management operation. Mr Hayes was also a joint founder of Barclays Bank's investment operations in Australia in 1984, and was CEO of that business for 12 years until 1996. Prior to this Mr Hayes held senior investment roles with AMP and Westpac. Mr Hayes is a Senior Fellow of the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors. Mr Hayes has also been a director of Premium Investors Limited (a listed investment company) since 18 February 2009.

He is the Chairman of the Nomination Committee.

Directors Report

COMPANY SECRETARY

Reema Ramswarup, BA (Justice Administration)

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

Interests in the shares and options of the Company and related bodies corporate

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

	Ordinary Shares	Options over Ordinary Shares
M Burgess	5,000	1,000,000
D. Cooper	633,000	-
M. Fitzpatrick	2,701,285	-
R. Hayes	-	-
P. Kennedy	146,038	-

EARNINGS PER SHARE

	Cents
Basic earnings per share	50.60
Diluted earnings per share	50.60

DIVIDENDS

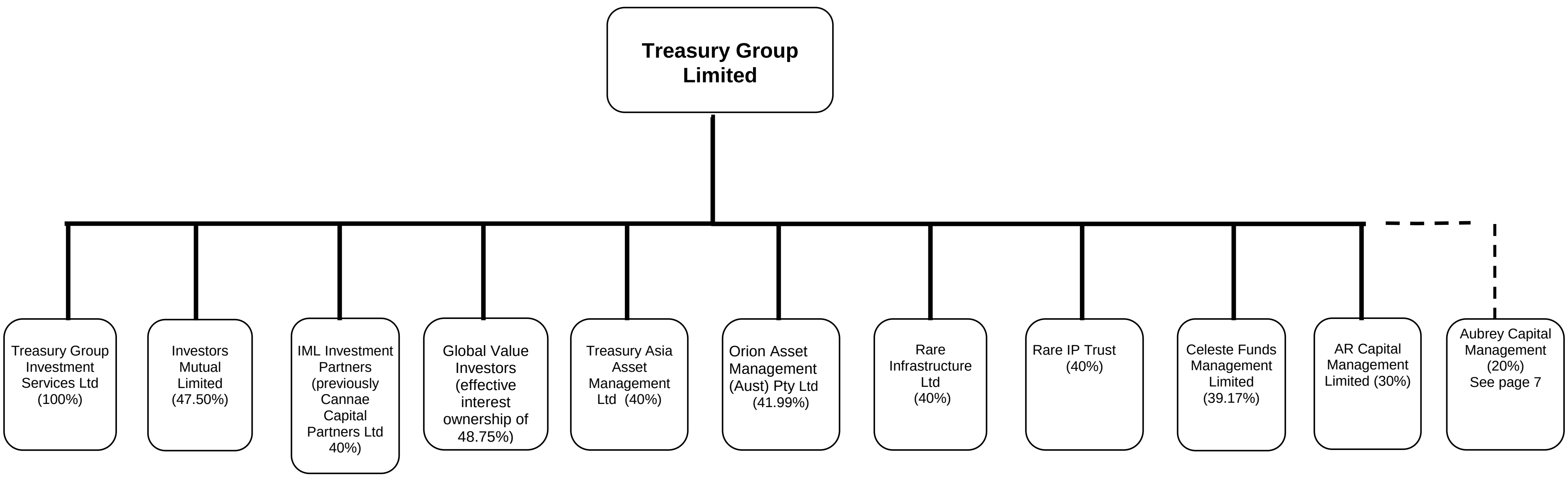
	Cents	$
Final dividend recommended:		
• on ordinary shares (fully franked)	14.0	3,229,906
Dividend paid in the year:		
Interim for the year		
• on ordinary shares (fully franked) paid on 26 March 2010	12.0	2,768,491
Final for 2009 shown as recommended in the 2009 report		
• on ordinary shares (fully franked) paid on 25 September 2009	10.0	2,307,076

Directors Report

CORPORATE INFORMATION

Corporate structure

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



Directors Report

Nature of operations and principal activities

The principal activities of the consolidated entity during the financial year were:

Provision of funds management services to:
- Institutions;
- Master funds and wraps;
- Retail investors; and
- Private clients.

There have been no significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 23 full time equivalent employees as at 30 June 2010 (2009: 23 employees). The consolidated group includes Treasury Group Limited and Treasury Group Investment Services Limited.

OPERATIONS AND FINANCIAL REVIEW

Group Overview

Funds Management

Australian Equities

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

During the period, Investors Mutual Limited, a jointly controlled entity of Treasury Group Limited, appointed IML Investment Partners Limited (previously Cannae Capital Partners Ltd) in a sub advisory role to exclusively manage funds for Investors Mutual Limited and its institutional clients. Treasury Group Limited has a 40% interest in the sub advisory business with the investment team holding the remaining 60% of equity. Treasury Group Limited converted the debt previously held in the Cannae Capital Partners Limited business for the 40% equity in the sub advisory business.

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

On 11 November 2009, Treasury Group Limited completed the acquisition of Celeste Funds Management Limited (previously known as Souls Funds Management Limited), an Australian equity manager with a smaller companies focus. Subsequent to the completion of legal documentation, the ownership interest of Treasury Group Limited was 39.17% with the majority of ownership being held by the investment team of Celeste Funds Management Limited.

International Equities

Global Value Investors Ltd (GVI) commenced operation in February 2005. Global Value Investors Ltd invests in global industrial companies that exhibit recurring earnings, and a strong, stable and competitive business. Treasury Group Limited holds 25% of the issued share capital with the remainder being held by Investors Mutual Limited and employees of GVI. Treasury Group Limited effectively owns 48.75% of GVI. GVI is considered a jointly controlled entity of the Group.

Treasury Asia Asset Management Ltd (TAAM) commenced operation in 12 July 2005. Treasury Asia Asset Management Ltd is a boutique asset manager specialising in the Asia Pacific Region. Treasury Asia Asset Management Ltd is considered a jointly controlled entity of the Group.

On 13 November 2009, Treasury Group Limited acquired convertible preference shares that entitle Treasury Group Limited to take 20% of the equity capital of Aubrey Capital Management, a global growth equity thematic manager based in Edinburgh, Scotland for a cost of $1 million (42,625 convertible preference shares). The convertible preference shares are treated as available for sale assets by the Group. In addition, Treasury Group Ltd was issued two options which will allow Treasury Group Ltd to acquire a further 10% if certain conditions are met.

Alternative Equities

RARE Infrastructure Ltd (RARE) and RARE IP Trust (RIP) were launched in July 2006 and is a boutique asset manager specialising in listed global infrastructure. Treasury Group Limited owns 40% each of RARE and RIP. RARE and RIP are considered as jointly controlled entities of the Group.

On 6 October 2009, Treasury Group Limited completed the acquisition of a 30% ownership interest in AR Capital Management Pty Limited, an Australian equity absolute return manager. One of the sellers was an entity associated with Mr. Fitzpatrick, chairman of Treasury Group, which sold a portion of its equity stake equating to 10.4% of the equity in AR Capital Management Pty Limited together with the remaining 19.6% acquired from unrelated entities. The entity associated with Mr Fitzpatrick continues to own 8.4% of AR Capital Management Pty Limited.

Funds Management, Administration & Compliance Services

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

Directors Report

Operating Results for the Year

The consolidated profit for the year attributable to members of Treasury Group Limited amounted to $11,676,131 (2009: $4,945,543).

The Board has had to consider the application of specific clauses in AASB 139: Financial Instruments: Recognition and Measurement. The standard requires that financial assets be reviewed and tested for impairment if there is evidence of an impairment event. The accounts reflect no impairment charge for the current financial year. In the prior year, an impairment charged of $497,123 was made in relation to the loan issued to Cannae Capital Partners (now IML Investment Partners Limited). The 2009 impairment charge has been reversed in the current year subsequent to the execution of the IML sub advisory arrangement.

As a result of his giving notice to resign on 29 June 2010, in accordance with the terms of the Employee Option Plan, Mr Cooper's remaining 650,000 options lapsed and have been terminated. This results in a positive re-charge to share based payment expense relating to prior period charges for these options in the amount of $788,671.

Earnings Per Share

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

	2010	2009	2008	2007	2006
Basic earnings per share (cents)	50.6	21.4	75.3	80.8	65.4
Diluted earnings per share (cents)	50.6	21.4	75.0	79.4	63.7

REVIEW OF FINANCIAL CONDITIONS

Capital Structure

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

During the financial year the Company did not conduct any buy-back schemes to reduce its share capital (2009: $466,055).

Cash Flow from Operations

Net cash flow from operating activities increased by $0.251m to $6.77m or by 3.85% over the year.

During the year, the Company paid $5.076m in dividends. Consolidated cash balance as at 30 June 2010 is $10.9 m.

Risk Management

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

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

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

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non-financial nature; and

- The establishment of an investment review panel with the express purpose of examining new asset management opportunities for the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the financial year.

Directors Report

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 25 August 2010 the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $3,229,906, which represents a fully franked dividend of 14 cents per share. The dividend has not been provided for in the 30 June 2010 financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 1,655,000 unissued ordinary shares under options (1,655,000 at reporting date) held by employees of the Group and its jointly controlled entities. Further details of the options outstanding to employees of the Group are included in Note 23 to the financial report.

Shares issued as a result of the exercise of options

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into an agreement for the purpose of indemnifying Directors and officers of the Company against all losses and liabilities incurred by the Directors or officers on behalf of the Company.

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

(a) A liability owed to the Company or related body corporate;
(b) A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act 2001;
(c) A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith;
(d) Any other liability against which the Company is precluded by law from indemnifying the Director.

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

Directors Report

REMUNERATION REPORT (AUDITED)

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

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

Remuneration Philosophy

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

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

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

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and the Executive Team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

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

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration

Objective

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

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

Structure

Remuneration consists of the following key elements:

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

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

Fixed Remuneration

Objective

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

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

Variable Remuneration – Short Term Incentive (STI)

Objective

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

Structure

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

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

The percentage between the STI awarded to each executives and the profitability of the Group in the past four years has been reported in the previously published financial reports.

Variable Remuneration – Long Term Incentive (LTI)

Objective

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

Structure

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

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

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

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

	Short term		**Post employment**	**Share based payments**		**Other**	**Total**	**Performance related**
	Salary & fees $	Cash bonus $	Super-annuation $	Shares $	Options $	Termination benefits $	$	
Directors								
M. Fitzpatrick - Chairman								
2010	97,248	-	8,752	-	-	-	106,000	-
2009	97,248	-	8,752	-	-	-	106,000	-
D. Cooper – Executive Director								
2010	384,801	240,000	14,461	-	(788,671)*	-	(149,409)	-
2009	436,255	-	13,744	-	420,575	-	870,574	48%
R. Green – Non-Executive Director (resigned 12 November 2008)								
2010	-	-	-	-	-	-	-	-
2009	22,046	-	1,984	-	-	-	24,030	-
P. Kennedy – Non-Executive Director								
2010	91,000	-	-	-	-	-	91,000	-
2009	91,000	-	-	-	-	-	91,000	-
R. Hayes – Non-Executive Director (appointed 22 February 2007)								
2010	64,220	-	5,780	-	-	-	70,000	-
2009	64,220	-	5,780	-	-	-	70,000	-
M. Burgess – Managing Director (appointed 17 December 2008)								
2010	435,539	280,000	14,461	-	97,897	-	827,897	46%
2009	381,316	-	10,309	-	52,569	-	444,194	12%
Executives								
J. Ferragina - Treasury Group Limited – Chief Financial Officer.								
2010	285,539	150,000	14,461	-	59,426	-	509,426	38%
2009	297,265	-	13,744	-	59,626	-	370,635	16%
C. Feldmanis - Treasury Group Investment Services Limited – Managing Director								
2010	285,539	200,000	14,461	-	19,242	-	519,242	42%
2009	286,256	-	13,744	-	31,927	-	331,927	10%
R. Sullivan - Treasury Group Limited – Head of Distribution								
2010	285,539	551,527**	14,461	-	120,299	-	971,826**	69%
2009	286,254	560,384	13,744	-	120,299	-	980,681	69%
Total remuneration: Key Management and Highest Paid Personnel								
2010	1,929,425	1,421,527	86,837	-	(491,807)	-	2,945,982	48%
2009	1,961,860	560,384	81,801	-	684,996	-	3,289,041	38%

* As a result of his giving notice to resign on 29 June 2010, in accordance with the terms of the Employee Option Plan, Mr Cooper's remaining 650,000 options lapsed and have been terminated. This results in a positive re-charge to share based payment expense relating to prior period charges for these options. This is not included in the determination of performance related ratio as per above. As part of David Cooper's short term incentives, a payment of $100,000 will be paid in the first half of 2011 financial year, which will be included as remuneration for that financial year.

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

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

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

During the year ended 30 June 2010, 650,000 options (2009: 410,000) held by key management personnel lapsed.

2009

			Terms and Conditions for Each Grant				
	Vested number	**Granted number**	**Grant date**	**Value per option at grant date**	**Exercise price per option**	**First exercise date**	**Last exercise date**
Directors							
M. Burgess	-	600,000	16/12/2008	$0.45	$10.00	16/12/2013	16/12/2014
M. Burgess	-	400,000	16/12/2008	$0.33	$10.00	16/12/2011	16/12/2012
Total	-	1,000,000					

During the year ended 30 June 2009 options were granted as equity compensation benefits to certain key management personnel as disclosed above. No options were issued to the non-executive members of the Board of Directors under this scheme. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices.

* The fair value of options granted in 2009 was estimated on the day of grant using a Binomial option-pricing model with the following assumptions used: Historical volatility of 43% and risk free rate of 4.26%, a dividend consistent with the policy of the Company at grant date and other variables as contained in the Notes to the financial report.

All options have a vesting condition of continuous service between grant date and first exercise date.

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

Remuneration options: Granted and vested during the year

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

Options granted as part of remuneration

2010	Value of options granted during the year $	Value of options exercised during the year $	Value of options forfeited during the year $	Total value of options granted exercised and lapsed during the year $	Remuneration consisting of options for the year %
D. Cooper	-	-	(1,210,255)	(1,210,255)	-

2009	Value of options granted during the year $	Value of options exercised during the year $	Value of options forfeited during the year $	Total value of options granted exercised and lapsed during the year $	Remuneration consisting of options for the year %
M. Burgess	402,000	-	-	402,000	12%
D. Cooper	-	-	(372,500)	(372,500)	48%
R. Sullivan	-	-	-	-	-
J. Ferragina	-	-	(204,000)	(204,000)	16%
C. Feldmanis	-	-	(122,400)	(122,400)	10%

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

The maximum grant, which will be expensed assuming that all service criteria are met, is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant which will be expensed assuming that service criteria are not met is zero.

Shares issued on exercise of remuneration options (Consolidated)

During the current financial year ended 30 June 2010 and the prior financial year ended 30 June 2009 the Company did not issue any shares to Key Management Personnel on exercise of remuneration options.

From 1 July 2003, options granted as part of Director and Executive emoluments have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. Further details in relation to the issuance and value of options are contained in Note 23 to the financial report.

Directors Report

REMUNERATION REPORT (AUDITED) (Continued)

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

2010

During the financial year ended 30 June 2010 the Company issued no deferred shares during the year (2009 nil).

Employment contracts

The Managing Director, Mark Burgess, is employed under contract. His employment contract commenced on 29 September 2008 with a base salary package of $450,000 (gross, including superannuation) and has no predetermined termination date. Under the terms of the contract, Mr Burgess may terminate the contract giving three months written notice with no termination benefits.

As long term incentive, Mr Burgess was awarded 1,000,000 $10 options on 17 December 2008.

Mr Burgess is also eligible for a bonus based on a number of clearly defined KPI's. Any bonus payment is at the sole discretion of the Remuneration Committee.

Additional terms in the contract include:

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Burgess is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.
- The Company may terminate the contract without notice if Mr Burgess becomes incapacitated by accident or an illness such that he is unable to perform his duties for 90 consecutive days or for an aggregate period of 90 days in any period of 12 months.

Where employment is terminated no further payments will be paid by the company except unpaid salary accrued to the date of termination and accrued annual leave.

Where the employment is terminated due to a decision by the Company to make the position redundant, the Company will pay Mr Burgess an amount the equivalent to 1 year's salary, which includes any payment to which Mr Burgess is entitled in relation to a notice period.

The Executive Director, Mr Cooper, is employed under contract. On 29 June 2010, Mr Cooper gave notice of resignation to leave the Company in December 2010. The current employment contract commenced on 1 January 2009 and has no predetermined termination date. Under the terms of the present contract, a base salary of $400,000 (gross including superannuation) is being paid.

Mr Cooper will receive as part of his short term incentive payments for 2009/2010 payment of $200,000 and a following payment for the first half of 2010/2011 of $100,000. This is line with the Treasury Group's short term incentive plans for senior executives.

In accordance with his terms of employment, Mr Cooper's options upon resignation have lapsed and been terminated.

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

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

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

Directors Report

DIRECTORS' MEETINGS

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

	Directors Meetings		**Audit Committee Meetings**		**Remuneration Committee Meetings**		**Nomination Committee Meetings**	
	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended
M. Burgess	13	13	-	-	1	1	-	-
D. Cooper	13	13	-	-	-	-	-	-
M. Fitzpatrick	13	13	5	5	1	1	-	-
P. Kennedy	13	13	5	5	1	1	-	-
R. Hayes	13	13	5	5	1	1	-	-

Committee membership

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

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

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

TAX CONSOLIDATION

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Treasury Group Limited support the Principles of Corporate Governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

Directors Report

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

NON-AUDIT SERVICES

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

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditors of Treasury Group Limited. A copy of the declaration is set out on page 18

Signed in accordance with a resolution of the Directors.

M Fitzpatrick
Chairman

Sydney, 25 August 2010

Deloitte.

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

25 August 2010

Dear Board Members

Treasury Group Limited

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

As lead audit partner for the audit of the financial statements of Treasury Group Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A H Young
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement

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

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

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote Ethical and Responsible Decision Making
4. Safeguard integrity in financial reporting
5. Make Timely and Balanced Disclosure
6. Respect the Rights of Shareholders
7. Recognise and Manage Risk
8. Remunerate fairly and responsibly

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

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

Principle 1: Lay solid foundations for management and oversight

The Board's role is to govern the Company rather than to manage it. The Board recognises the importance of clearly delineating between its roles and the roles of management, and has adopted a formal statement of matters reserved to itself and a list of delegations to management. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board is accountable to shareholders for the successful operations of the Company.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained in the Corporate Governance section on the Company's website.

Role of senior executives

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

Principle 2: Structure the Board to add value

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

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

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

The Company's Managing Director and CEO is Mr Mark Burgess. The Company's Chairman and CEO have separate roles.

Corporate Governance Statement

The division of responsibilities between the Chairman and the CEO are set out in the Board charter.

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

The Board established a Nomination Committee in 2004, to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

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

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

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

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

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

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

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

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

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

Principle 3: Promote ethical and responsible decision-making

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

These Codes also outline the responsibility and accountability of individuals for reporting and investigating unethical

Corporate Governance Statement

practices and can be viewed in the Corporate Governance section on the Company's website.

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

Principle 4: Safeguard integrity in financial reporting

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

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

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

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

Principle 5: Make timely and balanced disclosure

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

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules*, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

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

Details of payments to executives for the 2009/10 financial year are disclosed in the Directors' Report. Core entitlements of any new executives will be disclosed at the time when they are agreed as well as at the time the actual payment is made.

Principle 6: Respect the rights of shareholders

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

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Shareholder Communications Policy is published on the Company's website in its Corporate Governance section.

Corporate Governance Statement

Principle 7: Recognise and manage risk

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

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

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

"That

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

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

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

Principle 8: Remunerate fairly and responsibly

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

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

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

Senior Executive Remuneration Policy

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

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

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

The value of shares and options granted to Senior Executives has been calculated using the Binomial method.

Corporate Governance Statement

Principle 8: Remunerate fairly and responsibly (Cont)

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments. This discretion is exercised on the following basis:

- Retentions and motivation of key executives;
- Attraction of quality management to the Company;
- Performance incentives which allow executives to share the rewards of the success of the Company.

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

Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in the option scheme of the Company. Non-Executive Directors are entitled to statutory superannuation.

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

Current Director Remuneration

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

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

Income Statement

FOR THE YEAR ENDED 30 JUNE 2010	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
REVENUES	5 (a)	**5,601,816**	6,004,388	**13,421,982**	7,452,201
Gains / (losses) on investments	5 (b)	**337,462**	(1,835,955)	**(15,898)**	(1,530,924)
Salaries and employee benefits expenses	5 (c)	**(5,334,345)**	(5,727,259)	**(3,055,940)**	(3,357,794)
Fund management and administration fees		**(501,048)**	(928,078)	**-**	-
Other expenses	5 (c)	**(2,656,904)**	(3,331,313)	**(1,665,978)**	(1,813,125)
Share of net profits of equity accounted investments	14 (c) (iv)	**14,044,639**	9,103,298	-	-
PROFIT BEFORE INCOME TAX EXPENSE		**11,491,620**	3,285,081	**8,684,166**	750,358
Income tax benefit	7 (c)	**184,511**	1,667,970	**349,277**	1,380,119
PROFIT FOR THE YEAR		**11,676,131**	4,953,051	**9,033,443**	2,130,477
Attributable to:					
Non-controlling interests	20 (g)	**-**	7,508	-	-
Members of the parent	20 (e)	**11,676,131**	4,945,543	**9,033,443**	2,130,477
Earnings per share (cents per share)					
• basic for profit for the year attributable to ordinary equity holders of the parent	25	**50.61**	21.43		
• diluted for profit for the year attributable to ordinary equity holders of the parent	25	**50.61**	21.43		
Franked dividends paid or proposed per share (cents per share) for the financial year	8	**26.00**	20.00		

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
PROFIT FOR THE YEAR		**11,676,131**	4,953,051	**9,033,443**	2,130,477
Other Comprehensive Income					
Impairment of available-for-sale investments taken to income		-	564,144	-	564,144
Gain on available-for-sale investments previously consolidated		**24,995**	-	-	-
Gain on available-for-sale investments taken to equity		**72,386**	214,328	**72,386**	250,036
Income tax relating to components of other comprehensive income		**(21,715)**	(233,543)	**(21,715)**	(244,255)
Share of after-tax gain on available-for-sale investments of jointly controlled entity		**172,636**	-	-	-
Other comprehensive income for the year (net of tax)		**248,302**	544,930	**50,671**	569,925
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,924,433**	5,497,981	**9,084,114**	2,700,402
Attributable to:					
Non-controlling interests		-	7,508	-	-
Members of the parent		**11,924,433**	5,490,473	**9,084,114**	2,700,402

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

Statement of Financial Position

AS AT 30 JUNE 2010	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	9 (a)	**10,949,185**	10,515,123	**6,183,265**	7,637,530
Trade and other receivables	10	**9,218,847**	5,186,227	**3,601,217**	1,790,252
Other assets		**203,440**	285,760	**93,629**	134,548
TOTAL CURRENT ASSETS		**20,371,472**	15,987,110	**9,878,111**	9,562,330
NON-CURRENT ASSETS					
Trade and other receivables	10	**233,638**	254,429	**218,438**	239,229
Available-for-sale investments	11	**5,057,695**	4,380,202	**5,056,895**	4,615,781
Investments at fair value through profit and loss	12	**-**	2,036,033	**-**	128,640
Loans and other receivables	13	**6,704,394**	7,617,143	**6,704,394**	7,617,143
Deferred tax assets	7 (d)	**2,782,390**	2,676,529	**2,707,046**	2,399,313
Investments accounted for under the equity method	14	**27,833,141**	21,029,816	**-**	-
Plant and equipment	15	**119,923**	137,922	**31,443**	49,878
Intangibles	16	**67,758**	18,389	**1,641**	2,735
Other financial assets	17	**-**	-	**21,815,296**	17,427,261
Other assets		**-**	64,466	**-**	35,813
TOTAL NON-CURRENT ASSETS		**42,798,939**	38,214,929	**36,535,153**	32,515,793
TOTAL ASSETS		**63,170,411**	54,202,039	**46,413,264**	42,078,123
CURRENT LIABILITIES					
Trade and other payables	18	**6,128,970**	3,172,104	**1,128,294**	262,730
Provisions	19	**334,768**	274,191	**216,939**	164,568
TOTAL CURRENT LIABILITIES		**6,463,738**	3,446,295	**1,345,233**	427,298
NON-CURRENT LIABILITIES					
Provisions	19	**18,350**	52,154	**-**	52,154
Deferred tax liabilities	7 (d)	**561,061**	607,602	**558,561**	605,941
TOTAL NON-CURRENT LIABILITIES		**579,411**	659,756	**558,561**	658,095
TOTAL LIABILITIES		**7,043,149**	4,106,051	**1,903,794**	1,085,393
NET ASSETS		**56,127,262**	50,095,988	**44,509,470**	40,992,730
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	20 (a)	**29,594,265**	29,594,265	**29,594,265**	29,594,265
Reserves	20 (f)	**3,197,304**	3,440,809	**3,024,668**	3,465,804
Retained profits	20 (e)	**23,335,693**	16,868,015	**11,890,537**	7,932,661
Parent interests		**56,127,262**	49,903,089	**44,509,470**	40,992,730
Non-controlling interests	20 (g)	**-**	192,899	**-**	-
TOTAL EQUITY		**56,127,262**	50,095,988	**44,509,470**	40,992,730

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

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

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	CONSOLIDATED						
	Ordinary shares	Share options reserve	Net unrealised gains reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
	$	$	$	$	$	$	$
AS AT 1 JULY 2008	**30,060,320**	**2,605,784**	**(394,901)**	**28,556**	**21,479,295**	**3,503,152**	**57,282,206**
Total comprehensive income for the period	**-**	**-**	**544,930**	**-**	**4,945,543**	**7,508**	**5,497,981**
Shares bought back	(466,055)	-	-	-	-	-	(466,055)
Share-based payments	-	684,996	-	-	-	-	684,996
Deconsolidation of entities no longer controlled	-	-	-	(28,556)	(319,917)	(3,502,952)	(3,851,425)
Minority interest relating to acquisitions	-	-	-	-	-	185,191	185,191
Dividends paid	-	-	-	-	(9,236,906)	-	(9,236,906)
AT 30 JUNE 2009	**29,594,265**	**3,290,780**	**150,029**	**-**	**16,868,015**	**192,899**	**50,095,988**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	TREASURY GROUP LIMITED				
	Ordinary Shares	Share options reserve	Unrealised gains/ (losses) reserve	Retained earnings	Total
	$	$	$	$	$
AS AT 1 JULY 2009	**29,594,265**	**3,290,780**	**175,024**	**7,932,661**	**40,992,730**
Total comprehensive income for the period	**-**	**-**	**50,671**	**9,033,443**	**9,084,114**
Shares bought back	-	-	-	-	-
Share-based payments net of reversal	-	(491,807)	-	-	(491,807)
Dividends paid	-	-	-	(5,075,567)	(5,075,567)
AT 30 JUNE 2010	**29,594,265**	**2,798,973**	**225,695**	**11,890,537**	**44,509,470**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	TREASURY GROUP LIMITED				
	Ordinary Shares	Share options reserve	Unrealised gains / (losses) reserve	Retained earnings	Total
	$	$	$	$	$
AS AT 1 JULY 2008	**30,060,320**	**2,605,784**	**(394,901)**	**15,039,090**	**47,310,293**
Total comprehensive income for the period	**-**	**-**	**569,925**	**2,130,477**	**2,700,402**
Shares bought back	(466,055)	-	-	-	(466,055)
Share-based payments	-	684,996	-	-	684,996
Dividends paid	-	-	-	(9,236,906)	(9,236,906)
AT 30 JUNE 2009	**29,594,265**	**3,290,780**	**175,024**	**7,932,661**	**40,992,730**

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		**2,332,430**	4,394,660	**608,152**	641,356
Payments to suppliers and employees (inclusive of GST)		**(6,358,430)**	(9,916,303)	**(4,765,574)**	(5,273,468)
Dividends and distributions received		**9,923,207**	10,676,987	**9,878,628**	10,676,987
Interest received		**869,715**	1,361,672	**790,694**	1,261,012
NET CASH FLOWS FROM OPERATING ACTIVITIES	9(b)	**6,766,922**	6,516,016	**6,511,900**	7,305,887
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		**(24,371)**	(48,085)	**(1,970)**	(3,029)
Purchase of intangible assets		**(74,959)**	(14,067)	-	-
Proceeds from disposal of plant and equipment		-	4,500	-	4,500
Purchase of investments at fair value through profit and loss		-	(417,363)	-	-
Purchase of investment accounted for under the equity method		**(1,106,306)**	-	**(1,106,306)**	-
Purchase of available-for-sale investments		**(2,659,688)**	-	**(2,659,688)**	(200,000)
Proceeds from disposal of investment at fair value through profit and loss		-	291,572	-	-
Proceeds from disposal of available-for-sale investments		**2,444,179**	4,581,866	**2,444,179**	4,581,866
Proceeds from disposal of jointly controlled entities		-	500	-	500
Proceeds from disposal of subsidiaries		**1,815,686**	1,000,000	-	1,000,000
Advance to jointly controlled entities		**(1,702,627)**	(120,000)	**(1,702,627)**	(120,000)
Advance to associates		**(746,177)**	(943,000)	**(746,177)**	(943,000)
Repayment of loans by jointly controlled entities		**881,991**	158,345	**881,991**	158,345
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(1,172,272)**	4,494,268	**(2,890,598)**	4,479,182
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of equity instruments		-	185,191	-	-
Payment for equity bought back		-	(466,055)	-	(466,055)
Equity dividends paid on ordinary shares		**(5,075,567)**	(9,236,906)	**(5,075,567)**	(9,236,906)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(5,075,567)**	(9,517,770)	**(5,075,567)**	(9,702,961)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**519,083**	1,492,514	**(1,454,265)**	2,082,108
Cash and cash equivalents at beginning of year		**10,515,123**	10,301,071	**7,637,530**	5,555,422
Cash held by deconsolidated entities		**(85,021)**	(1,279,442)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	9(a)	**10,949,185**	10,515,123	**6,183,265**	7,637,530

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

Notes to the Financial Statements

For the Year ended 30 June 2010

1. CORPORATE INFORMATION

The financial report of Treasury Group Limited (the 'Company' or the 'Group') for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 25 August 2010.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

At the date of authorisation of the financial report, the Standards and Interpretations relevant to the Group listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 Further amendments to AASB arising from the Annual Improvements Project	1 January 2010	30 June 2011
AASB 2009-8 Amendments to AASB Group Cash-settled Share-based Payment Transactions	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards-Classification of Rights Issues	1 February 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-111 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 2009-14 Amendments to Australian Interpretation –Prepayments of a Minimum Funding Requirements	1 January 2011	30 June 2012
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Disclosure of Financial Instruments

AASB 7 Financial Instrument Disclosures is equivalent to IFRS 7 *Financial Instruments Disclosures* of the same name as issued by the International Accounting Standards Board. The objective of AASB 7 is to outline the disclosures required in an entity's financial report about its financial instruments. In particular, it requires disclosures about the significance of an entity's financial instruments to its financial position and performance and quantitative and qualitative information about the risks arising from the entity's financial instruments. It is applicable for annual reporting periods beginning on or after 1 January 2007. The Group had already adopted this standard.

Changes in ownership interests of subsidiaries

AASB 127 *Consolidated and Separate Financial Statements* (2008) results in changes to the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries. Under AASB 127 (2008) any change in ownership interests will be recognised through equity (with no impact on goodwill or profit or loss) as opposed to previous increases being treated the same as an acquisition of a subsidiary (with goodwill recognised as appropriate) and decreases through profit or loss. No such increases or decreases were experienced by the Group during this current period.

Changes in ownership interests of associates/jointly controlled entities

AASB 128 *Investments in Associates* is amended by AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*. The result of this change is should there be a loss of significant influence, the investor measures at fair value any investment the investor retains in the investee. No such circumstances were experienced by the Group during this current period.

Presentation of the financial statements.

As a consequence of the adoption of AASB 101 *Presentation of Financial Statements (2007)* and its associated amending standards, in addition to the statement of financial position (formerly termed the 'Balance Sheet'), the Income Statement, the Statement of Cash Flows and the Statement of Changes in Equity, the Group presents a Statement of Comprehensive Income.

Information about the Group's segments.

The adoption of AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* has resulted in both a re-designation of the Group's reportable segments and amended segment disclosures.

(d) Revenue recognition

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

Service fees

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

Management fees

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

Interest income

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

Dividends and distributions

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

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Basis of consolidation

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

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

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any con-controlling interest. Amount previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e., reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associated or jointly controlled entity.

Interests in jointly controlled entities in which the Group has joint control are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

During the year, the Group redeemed its interest in Cannae Australian Share Fund and Cannae High Conviction Fund. Accordingly, these funds are no longer consolidated for the year ended 30 June 2010.

The Group also reduced its interest in RARE Series Emerging Markets Fund and RARE Series Value Fund such that these entities should no longer be consolidated but instead classified as 'available for sale' investments. Refer to note 11 for further details.

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

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

The Group did not have any impaired trade receivables (2009: Nil).

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Derecognition of financial assets and financial liabilities

Non-controlling interest not held by the Group are allocated their share of net profit after tax in the Income Statement and are presented within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

During the year, the Group disposed of its interest in Cannae Australian Share Fund and Cannae High Conviction Fund. Accordingly, these entities are no longer consolidated.

Moreover, the Group also reduced its interest in RARE Series Emerging Markets Fund and RARE Series Value Fund. Accordingly, these were classified as available-for-sale investments and are carried at market value and no longer consolidated.

(i) Financial assets

A financial asset (or, where applicable, a part of the financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

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

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

(j) Investments in associates

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

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

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

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Investments in associates are carried at cost in the parent company's separate financial statements.

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

(k) Investments in jointly controlled entities

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

(l) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.
Major depreciation methods and periods are:

	2010 & 2009	
Furniture & fittings:	5 – 10 years	diminishing value
Office equipment:	3 – 10 years	diminishing value
Leasehold improvements:	1 – 6 years	straight line

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

Disposal

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

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

(m) Intangibles

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

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

(n) Investments and other financial assets

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(n) Investments and other financial assets (Cont)

Recognition and Derecognition

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

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Available-for-sale investments

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Income tax

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

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

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

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

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

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

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

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

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

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

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group. Treasury Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(p) Other taxes

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

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

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

Cash flows are included in the Statement of Cash Flow 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.

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

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

(r) Trade and other payables

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

(s) Provisions

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

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

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

(t) Employee leave benefits

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

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

(ii) Long service leave

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

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(u) Contributed equity

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

(v) Leases

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

Operating leases

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

(w) Earnings per share

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

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

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

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

(x) Share-based payments

Equity-settled transactions:

The Group provides benefits to employees (including Senior Executives and Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three plans in place to provide these benefits:

(i) The Officer and Executive Option Plan, which provides benefits to Directors, Senior Executives and employees.

(ii) The Officer and Executive Long Term Incentive Share Plan, which provides benefits to the Senior Executives of Treasury Group Limited and Treasury Group Investment Services Limited.

(iii) The Employee Share Plan, which provides the opportunity to the employees (including Directors) of the Group to purchase shares in the parent company at a discount.

The cost of the equity-settled employee share option plan is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Treasury Group Limited (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

Notes to the Financial Statements

For the Year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(x) Share-based payments (Cont)

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(y) Foreign currency translation

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

(ii) Transactions & balances
Transactions in foreign currencies are initially recorded in the functional currency by applying an average spot exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.
Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency
The results of any overseas subsidiaries are translated into Australian Dollars at an average rate for the period. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation exchange differences arising from the translation of the net investment in the overseas subsidiaries are taken to the foreign currency translation reserve.

(z) Comparatives

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

Notes to the Financial Statements

For the Year ended 30 June 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk Exposures and Responses

Interest rate risk

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

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

	CONSOLIDATED		**TREASURY GROUP LIMITED**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Financial Assets				
Cash at bank and in hand	**10,949,185**	10,515,123	**6,183,265**	7,637,530
	10,949,185	10,515,123	**6,183,265**	7,637,530

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

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

	Post tax Profit Higher / (Lower)		**Reserves** Higher / (Lower)	
	2010	2009	**2010**	2009
	$	$	**$**	$
Consolidated				
+0.75% [2009:0.25%]/ (75 basis points), [2009:25 basis points]	**58,175**	17,325	**-**	-
-0.75% [2009:0.25%]/(25 basis points) [2009:25 basis points]	**(58,175)**	(17,325)	**-**	-
Parent				
+0.75% [2009:0.25%]/ (75 basis points), [2009:25 basis points]	**42,330**	13,467	**-**	-
-0.75% [2009:0.25%]/ (25 basis points), [2009:25 basis points]	**(42,330)**	(13,467)	**-**	-

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

The Group does not have any significant exposure to fixed interest rate risk as the loans made by Treasury Group Limited to its related parties, which are the only assets or liabilities exposed to fixed interest rate risk, are carried at amortised cost.

Notes to the Financial Statements

For the Year ended 30 June 2010

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

Credit risk

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

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

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

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

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

Liquidity risk

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

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

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

Price risk

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

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

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

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

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

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	**2010**	2009
	$	$	**$**	$
Available-for-sale investments				
- Shares in listed corporation	**1,650,326**	-	**1,650,326**	-
- Units in managed investment trusts	**2,420,820**	4,379,402	**2,420,820**	4,615,781
- Unlisted shares in other corporations	**800**	800	**-**	-
Investment at fair value through profit and loss				
- Listed shares in other corporations	**-**	1,855,356	**-**	-
- Unlisted shares in other corporations	**-**	13,350	**-**	-
- Units in managed investment trusts	**-**	38,687	**-**	-
	4,071,946	6,287,595	**4,071,146**	4,615,821

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

	Post tax Profit Higher / (Lower)		Reserves Higher / (Lower)	
	2010	2009	**2010**	2009
	$	$	**$**	$
Consolidated				
ASX 200 +13%	-	135,740	**150,252**	76
ASX 200 -11%	-	(114,857)	**(127,137)**	(65)
MSCI World index +2.59%	-	7,537	**43,889**	79,399
MSCI World index -2.59%	-	(7,537)	**(43,889)**	(79,399)
Parent				
ASX 200 +13%	-	-	**150,180)**	-
ASX 200 -11%	-	-	**(127,075)**	-
MSCI World index +2.59%	-	-	**43,889**	83,684
MSCI World index -2.59%	-	-	**(43,889)**	(83,684)

Notes to the Financial Statements

For the Year ended 30 June 2010

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

Foreign Currency Risk

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

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

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

The Group does not have any significant transactional currency exposures.

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

	CONSOLIDATED		**TREASURY GROUP LIMITED**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Available-for-sale investments - Euro	**-**	2,246,687	**-**	2,246,687
Available-for-sale investments – US Dollar	**2,059,644**	1,959,081	**2,059,644**	1,959,081
Available-for-sale investments – British Pound	**1,071,417**	173,634	**1,071,417**	173,634
Other assets - Euro	**2,899**	3,482	**1,450**	1,741
	3,133,960	4,382,884	**3,132,511**	4,381,143

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

Notes to the Financial Statements

For the Year ended 30 June 2010

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

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

	Post tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2010	2009	**2010**	2009
	$	$	**$**	$
Consolidated				
AUD/Euro +11%	**-**	-	**-**	172,995
AUD/Euro -10%	**-**	-	**-**	(157,268)
AUD/US $ + 12%	**-**	-	**173,010**	164,563
AUD/US$ - 10%	**-**	-	**(144,175)**	(137,136)
AUD/GBP +11%	**-**	-	**82,499**	13,370
AUD/GBP -10%	**-**	-	**(74,999)**	(12,154)
Parent				
AUD/Euro +11%	**-**	-	**-**	172,995
AUD/Euro -10%	**-**	-	**-**	(157,268)
AUD/US $ + 12%	**-**	-	**173,010**	164,563
AUD/US$ - 10%	**-**	-	**(144,175)**	(137,136)
AUD/GBP +11%	**-**	-	**82,499**	13,370
AUD/GBP -10%	**-**	-	**(74,999)**	(12,154)

Notes to the Financial Statements

For the Year ended 30 June 2010

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

Fair value measurements recognised in the statement of financial position

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

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

				30 June 2010
	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale-investments				
Investment in Premium Investors Limited*	1,650,326	-	-	**1,650,326**
TG Rare Infrastructure Fund**	-	85,668	-	**85,668**
TG Treasury Asia Asset Management Fund**	-	2,059,644	-	**2,059,644**
RARE Series Emerging Markets Fund**	-	161,745	-	**161,745**
RARE Series Value Fund**	-	113,763	-	**113,763**
Aubrey Capital Management convertible preference shares***	-	-	985,749	**985,749**
Total	1,650,326	2,420,821	985,749	**5,056,895**

Significant assumptions in determining fair value of financial assets and liabilities

*Listed available-for-sale investment

The fair value of these investments was derived from the quoted price available from ASX as of 30 June 2010.

**Unlisted available-for-sale investments

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

*** Convertible preference shares

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

Notes to the Financial Statements

For the Year ended 30 June 2010

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

Reconciliation of Level 3 fair value measurements of financial assets

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Significant accounting judgments

Taxation

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

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

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

Deferred tax assets

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

Classification of and valuation of investments

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

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

Impairment of non-financial assets

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

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial model or a Black-Scholes model, with the assumptions detailed in Note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave provision

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

Valuation and Impairment of Non Current Loans and Receivables

The Group carries loans and receivables at amortised cost with impairments for these loans and receivables recognised in profit and loss. Determining whether non current loans and receivables are impaired requires an estimation of the future cash flows expected from the loans and applying a suitable discount rate in order to calculate present value. The carrying amount of non current loans and receivables at the balance date was $6,704,394 (2009: $7,617,143). There was no impairment loss during the year (2009: $497,123). Details of the impairment loss movements are provided in Note 13.

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
5. REVENUE AND EXPENSES				
(a) Revenues from continuing operations				
Fee income				
Fund management fees	**937,669**	1,669,167	-	-
Service fees				
- jointly controlled entities	**2,970,708**	2,729,509	**533,460**	606,411
- associates	-	169,276	-	-
- other	**227,638**	176,010	-	-
Total fee income	**4,136,015**	4,743,962	**533,460**	606,411
Dividends and distributions				
- jointly controlled entities	-	-	**11,465,993**	5,794,132
- other	**40,951**	88,595	**7,771**	-
Unit trust distribution	**154,695**	11,683	**370,671**	-
Total dividends and distributions	**195,646**	100,278	**11,844,435**	5,794,132
Interest				
Related parties				
- jointly controlled entities	**751,443**	486,473	**751,443**	486,473
- associates	-	155,193	-	155,193
Other persons/corporations	**380,861**	500,178	**292,479**	401,352
Total interest	**1,132,304**	1,141,844	**1,043,922**	1,043,018
Other Income				
Other income	**137,851**	18,304	**165**	8,640
Total revenues	**5,601,816**	6,004,388	**13,421,982**	7,452,201
(b) Gains / (losses) on investments				
Fair value gains / (losses) on revaluation of other investments at fair value through profit and loss	**(128,640)**	(580,231)	**(128,640)**	(211,360)
Net gain/ (losses) on disposal of available-for-sale investments	**173,957**	(894,792)	**169,725**	(883,557)
Net gain on disposal of subsidiaries	**349,128**	-	-	-
Impairment of available-for-sale investments	-	(1,115,024)	-	(1,115,024)
Foreign exchange gain/(loss) on investments	**(56,983)**	754,092	**(56,983)**	679,017
Total gains / (losses) on investments	**337,462**	(1,835,955)	**(15,898)**	(1,530,924)

Notes to the Financial Statements
For the Year ended 30 June 2010

	Note	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	TREASURY GROUP LIMITED 2010 $	TREASURY GROUP LIMITED 2009 $
5. REVENUE AND EXPENSES (Cont.)					
(c) Expenses					
Salaries and employee benefits					
Salaries and employee benefits		**5,729,454**	4,945,564	**3,513,268**	2,651,004
Employee share plan expenses		**96,698**	96,699	**53,721**	53,721
Share-based payment (reversal)/ expense arising from equity-settled share-based payment transactions		**(491,807)**	684,996	**(511,049)**	653,069
		5,334,345	5,727,259	**3,055,940**	3,357,794
Depreciation and amortisation					
Software	16(a)	**25,589**	8,147	**1,094**	1,823
Furniture & fittings	15(a)	**8,413**	10,686	**3,348**	4,752
Office equipment	15(a)	**26,802**	34,428	**10,505**	15,045
Leasehold improvements	15(a)	**7,154**	6,600	**6,551**	5,595
Total depreciation and amortisation of non-current assets		**67,958**	59,861	**21,498**	27,215
Other expenses					
Accounting & audit fees		**161,811**	244,767	**140,500**	113,887
Operating lease rental – minimum lease payments		**363,260**	355,610	**301,965**	187,295
Marketing & communication expenses		**150,993**	130,361	**85,410**	47,603
Travel & accommodation costs		**334,323**	181,736	**258,932**	144,115
Payroll tax		**242,439**	225,698	**154,430**	100,638
Legal & compliance fees		**333,833**	199,974	**222,575**	16,201
Consulting fee & IT Charges		**324,829**	411,320	**56,519**	62,589
Insurance charges		**235,187**	191,999	**160,632**	129,482
Directors' fees (non-executives)		**319,896**	365,539	**257,000**	281,031
Share registry & ASX fees		**102,398**	88,405	**102,398**	87,783
Subscriptions and training expenses		**124,499**	101,367	**91,059**	48,998
Loss on disposal of plant and equipment		**-**	26,301	**-**	26,301
Write down of investment in jointly controlled entity	14(c)	**-**	24,311	**-**	6,538
(Reversal of impairment)/Impairment on loan to associates	13	**(497,123)**	497,123	**(497,123)**	497,123
Other expenses		**392,601**	226,941	**310,183**	36,326
		2,588,946	3,271,452	**1,644,480**	1,785,910
Total other expenses		**2,656,904**	3,331,313	**1,665,978**	1,813,125

Notes to the Financial Statements

For the Year ended 30 June 2010

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

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$

7. INCOME TAX

(a) Income tax benefit

The major components of income tax benefit are:

Income Statement				
Current income tax				
Current income tax benefit	**1,086,197**	883,468	**1,241,140**	789,598
Adjustments in respect of current income tax charge of previous years/others	**105,392**	90,067	**105,392**	90,067
Deferred income tax				
Relating to origination and reversal of temporary differences	**(252,121)**	694,435	**(242,298)**	500,454
Tax adjustments as a result of tax benefits arising from tax losses not recognised	**(754,957)**	-	**(754,957)**	-
Income tax benefit reported in the Income Statement	**184,511**	1,667,970	**349,277**	1,380,119

(b) Amounts charged directly to other comprehensive income

Deferred income tax related to income charged or credited directly to other comprehensive income				
Unrealised gain on available-for-sale investments	**21,715**	124,482	**21,715**	244,255
Income tax expense reported in other comprehensive income	**21,715**	124,482	**21,715**	244,255

(c) Reconciliation between aggregate tax benefit recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax benefit and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows**:**

Accounting profit before income tax:	**11,491,620**	3,285,081	**8,684,166**	750,358
At the Group's statutory income tax rate of 30% (2009: 30%)	**(3,447,486)**	(985,524)	**(2,605,250)**	(225,107)
Share-based payments	**147,542**	(205,499)	**153,315**	(195,921)
Share in net profit of jointly controlled entities	**4,213,392**	2,730,989	**-**	-
Tax offset for franked dividends	**-**	-	**3,439,798**	1,714,824
Expenditure not allowable for income tax purposes	**(14,427)**	(5,700)	**(10,738)**	(3,744)
Under/(over) provision of previous year	**105,392**	90,067	**105,392**	90,067
Tax adjustments as a result of tax benefits arising from reversal of tax losses not previously recognised	**(754,957)**	-	**(754,957)**	-
Others	**(64,945)**	43,637	**21,717**	-
Aggregate income tax benefit	**184,511**	1,667,970	**349,277**	1,380,119

Notes to the Financial Statements

For the Year ended 30 June 2010

7. INCOME TAX (Cont.)

(d) Recognised deferred tax assets and liabilities

	Balance Sheet		Income Statement	
	2010	2009	2010	2009
	$	$	$	$
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax assets				
Tax losses	**2,511,508**	2,229,167	**-**	-
Revaluation of available-for-sale investments at fair value charged to equity	**111,223**	-	**-**	-
Revaluation of available-for-sale investments at fair value charged to profit and loss	**-**	136,253	**(136,253)**	546,789
Impairment on loan to associates	**-**	149,137	**(149,137)**	149,137
Write down of investment in associates	**-**	-	**-**	(42,166)
Accruals and provisions	**159,659**	161,972	**(2,313)**	61,237
	2,782,390	2,676,529		
Deferred tax liabilities				
Revaluation of convertible notes to fair value	**(551,230)**	(551,230)	**-**	-
Receivables	**(9,831)**	(21,821)	**11,990**	3,030
Revaluation of available-for-sale investments at fair value charged to equity	**-**	(10,959)	**-**	-
Revaluation of CCP Convertible note	**-**	(23,592)	**23,592**	(23,592)
	(561,061)	(607,602)	**(252,121)**	694,435
Parent				
Deferred tax assets				
Tax losses	**2,511,508**	2,036,247	**-**	-
Revaluation of available-for-sale investments at fair value charged to equity	**111,223**	-	**-**	-
Revaluation of available-for-sale investments at fair value charged to profit and loss	**-**	136,253	**(136,253)**	360,114
Impairment on loan to associates	**-**	149,137	**(149,137)**	149,137
Write down of investment in associate	**-**	-	**-**	(42,166)
Accruals and provisions	**84,315**	77,676	**6,639**	55,560
	2,707,046	2,399,313		
Deferred tax liabilities				
Revaluation of convertible notes to fair value	**(551,230)**	(551,230)	**-**	-
Receivables	**(7,331)**	(20,192)	**12,861**	1,401
Revaluation of available-for-sale investments at fair value charged to equity	**-**	(10,927)	**-**	-
Revaluation of CCP Convertible note	**-**	(23,592)	**23,592**	(23,592)
	(558,561)	(605,941)	**(242,298)**	500,454

Notes to the Financial Statements

For the Year ended 30 June 2010

7. INCOME TAX (Cont.)

Tax losses arising from results of operations have only been recognised up to 31December 2009, however, deferred tax assets and liabilities arising from temporary differences were still recognised in full during the year. The amount of unrecognised tax losses at year end is $754,957 for both consolidated and parent.

(e) Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group. Treasury Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

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

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

	TREASURY GROUP LIMITED	
	2010	2009
	$	$
In preparing the accounts for Treasury Group Limited for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:		
Total decrease to tax expense of Treasury Group Limited	(89,736)	93, 870
Total increase to inter-company assets of Treasury Group Limited	89,736	(93,870)

Notes to the Financial Statements

For the Year ended 30 June 2010

	TREASURY GROUP LIMITED	
	2010	2009
	$	$
8. DIVIDENDS PAID AND PROPOSED		
(a) Dividends proposed and not recognised as a liability*		
Final fully franked dividend 14 cents per share (2009: 10 cents per share)	**3,229,906**	2,307,076
(b) Dividends paid during the year		
Current year interim		
Fully franked dividend (12 cents per share) (2009: 10 cents per share)	**2,768,491**	2,307,076
Previous year final		
Fully franked dividend (10 cents per share) (2009: 10 cents per share)	**2,307,076**	6,929,830
Total paid during the year (22 cents per share) (2009:20 cents per share)	**5,075,567**	9,236,906

* Calculation based on the ordinary shares on issue as at 31 July 2010

(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2009: 30%)	**8,592,577**	6,764,579
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	**1,445,639**	620,596
	10,038,216	7,385,175
The amounts of franking credits available for future reporting periods:		
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	**(1,384,245)**	(988,747)
Franking credits carried forward after payment of final dividend	**8,653,971**	6,396,428

The tax rate at which paid dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at the rate of 30% (2009: 30%).

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
9. CASH AND CASH EQUIVALENTS				
(a) Reconciliation of cash and cash equivalents				
Cash balance comprises:				
– cash at bank and on hand	**10,949,185**	10,515,123	**6,183,265**	7,637,530
Closing cash balance	**10,949,185**	10,515,123	**6,183,265**	7,637,530
(b) Reconciliation				
Profit for the year	**11,676,131**	4,953,051	**9,033,443**	2,130,477
Adjustments for				
Depreciation and amortisation of non-current assets	**67,958**	59,861	**21,498**	27,215
Non-cash distributions	**(86,438)**	-	**(52,094)**	-
Loss on disposal of fixed assets	-	26,301	-	26,301
Share of jointly controlled entities' net profits	**(14,044,639)**	(9,103,298)	**-**	-
Dividend and distributions received from jointly controlled entities	**11,803,728**	6,377,855	**-**	-
Non-cash interest	**(296,102)**	(484,216)	**(296,102)**	(484,216)
Share-based payments	**(491,807)**	781,695	**(511,049)**	653,069
Foreign exchange (gains)/loss	**63,465**	(754,092)	**57,186**	(679,017)
Write down of investment in jointly controlled entity	-	24,311	-	6,538
(Gain)/ Losses on disposal of available-for-sale investments	**(173,957)**	894,792	**(169,725)**	883,577
(Gain)/ Losses on disposal of subsidiaries	**(349,128)**	-	**-**	-
Fair value (gains) / losses on revaluation of other investments at fair value through profit and loss	**128,640**	580,231	**128,640**	211,360
Impairment of available-for-sale investments	-	1,115,024	-	1,115,024
(Reversal)/ Impairment of loan to associates	**(497,123)**	497,123	**(497,123)**	497,123
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	**(4,032,620)**	7,421,841	**(1,810,965)**	5,025,906
(Increase)/decrease in trade and other receivables of deconsolidated entities *	-	(3,931,107)	-	-
Decrease/(increase) in other assets	**167,577**	(56,436)	**97,523**	(388,632)
(Increase) in deferred tax assets	**(105,861)**	(1,512,741)	**(307,733)**	(1,184,373)
Increase/ (decrease) in trade and other payables	**2,956,866**	(368,406)	**865,564**	(502,857)
Increase in current provisions	**60,577**	89,251	**52,371**	51,848
(Decrease) in non-current provisions	**(33,804)**	(4,096)	**(52,154)**	(4,096)
(Decrease) in deferred tax liability	**(46,541)**	(90,928)	**(47,380)**	(79,360)
Net cash flow from operating activities	**6,766,922**	6,516,016	**6,511,900**	7,305,887

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

* *Represents trade receivables of TG RARE and TG Asia which were deconsolidated entities during the prior year.*

Notes to the Financial Statements

For the Year ended 30 June 2010

10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
Current				
Trade receivables	**4,215,959**	2,290,141	**-**	8,219
Sundry receivables	**37,340**	72,760	**24,440**	67,314
Other receivables	**140,472**	333,354	**133,439**	153,302
Related party receivables				
- Jointly controlled entities - Dividend	**3,373,157**	1,448,058	**3,373,157**	1,448,058
- Other	**1,149,188**	775,297	**70,181**	113,359
- Associates	**-**	57,221	**-**	-
- Other related parties	**302,731**	209,396	**-**	-
	9,218,847	5,186,227	**3,601,217**	1,790,252

(a) Allowance for impairment loss

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

At 30 June, the ageing analysis of receivables is as follows:

		Total	0-30 days	31-60 days PDNI*	61-90 days PDNI*	+91 days PDNI*
		$	$	$	$	$
2010	**Consolidated**	**9,218,847**	**8,637,437**	**116,791**	**426**	**464,193**
	Parent	**3,601,217**	**3,524,047**	**-**	**426**	**76,744**
2009	Consolidated	5,186,227	4,592,432	3,667	23,694	566,434
	Parent	1,790,252	1,712,566	-	-	77,686

* Past due not impaired ('PDNI')

Receivables past due but not impaired are: Consolidated: $464,193 (2009:$566,434). Parent $ 76,744 (2009: $ 77,686). All overdue amounts as at 30 June 2009 have not been received in full. Payment terms on these amounts have been re-negotiated. Management is satisfied that payment will be received in full.

(b) Related party receivables

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

(c) Fair value and credit risk

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

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

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

10. TRADE AND OTHER RECEIVABLES (Cont.)

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
Non-current				
Security deposits	**233,638**	254,429	**218,438**	239,229
	233,638	254,429	**218,438**	239,229

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

11. AVAILABLE-FOR-SALE INVESTMENTS

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	TREASURY GROUP LIMITED 2010 $	TREASURY GROUP LIMITED 2009 $
Current				
- Investment in Premium Investors Ltd listed shares	**1,650,326**	-	**1,650,326**	-
- TG RARE Infrastructure Fund	**85,668**	2,420,321	**85,668**	2,420,321
- TG Treasury Asia Asset Management Fund	**2,059,644**	1,959,081	**2,059,644**	1,959,081
- RARE Series Emerging Markets Fund*	**161,745**	-	**161,745**	134,559
- RARE Series Value Fund*	**113,763**	-	**113,763**	101,820
- Aubrey Capital Management convertible preference shares**	**985,749**	-	**985,749**	-
-Unlisted shares in other corporations	**800**	800	**-**	-
	5,057,695	4,380,202	**5,056,895**	4,615,781

* During the prior year, the Group reduced its interest in RARE Series Emerging Markets Fund and RARE Series Value Fund such that these entities should no longer be consolidated but instead classified as 'available for sale' investments in the Consolidated Balance Sheet.

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

Units in funds are readily saleable with no fixed terms.

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

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Current				
Designated at fair value through profit and loss				
Convertible notes	-	128,640	-	128,640
Held for trading				
Listed shares in other corporations	-	1,855,356	-	-
Unlisted shares in other corporations	-	13,350	-	-
Units in managed investment trusts	-	38,687	-	-
	-	2,036,033	-	128,640

Valuation assumptions

On signing of the sub advisory agreement between Investors Mutual Limited and IML Investment Partners limited (previously Cannae Capital Partners Limited) the convertible note was cancelled. Accordingly, a fair value loss of $128,640 was recognised.

Notes to the Financial Statements

For the Year ended 30 June 2010

	Notes	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	TREASURY GROUP LIMITED 2010 $	TREASURY GROUP LIMITED 2009 $
13. LOANS AND OTHER RECEIVABLES (NON-CURRENT)					
Loans receivables due from:					
Jointly Controlled Entities	28	**6,704,394**	5,837,847	**6,704,394**	5,837,847
Associates	28	-	2,276,419	-	2,276,419
Impairment of loan to Associates	28	-	(497,123)	-	(497,123)
		6,704,394	7,617,143	**6,704,394**	7,617,143

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

Impairment Losses on loans to Associates

	Notes	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	TREASURY GROUP LIMITED 2010 $	TREASURY GROUP LIMITED 2009 $
Impairment losses, beginning balance		497,123	-	497,123	-
Impairment charge/(reversal)	5 (c)	(497,123)	497,123	(497,123)	497,123
Impairment losses, closing balance		-	497,123	-	497,123

(a) Loans

The majority of non-current loans to associates and jointly controlled entities are subordinated to all other creditors as a condition of their Australian Financial Services Licence as agreed with the Australian Securities and Investments Commission (ASIC). Interest rates on the loans are fixed at between 8% and 9%.

(b) Fair values

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

	2010 Carrying Amount $	**2010** Fair Value $	2009 Carrying Amount $	2009 Fair Value $
Loans to jointly controlled entities	**6,704,394**	**6,704,394**	5,837,847	5,837,847
Loans to associates	-	-	1,779,296	1,779,296
	6,704,394	**6,704,394**	7,617,143	7,617,143

<u>Loan to Jointly Controlled Entities</u>

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

<u>Loan to Associates</u>

The interest rate used to discount cash flows was a fixed rate of 9% based on the contacted loan rate as per the loan agreement.

Notes to the Financial Statements

For the Year ended 30 June 2010

	Notes	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			
Investment in associates	14 (a)	-	149,717
Investments in jointly controlled entities	14 (b)	**27,833,141**	20,880,099
		27,833,141	21,029,816

(a) Interests in associates

Name	Balance Sheet date	Ownership interest held by consolidated entity 2010 %	2009 %
IML Investment Partners Limited (previously Cannae Capital Partners Ltd)	30 June	**nil**	1

(i) Principal activity

IML Investment Partners Limited (previously Cannae Capital Partners Ltd) is appointed to exclusively manage funds for Investors Mutual Limited and its institutional clients.

(b) Interests in jointly controlled entities

Name	Balance date	Ownership interest held by consolidated entity 2010 %	2009 %
Investors Mutual Ltd – ordinary shares	30 June	**47.50**	47.50
Orion Asset Management (Aust) Pty Ltd - ordinary shares	30 June	**41.9**	41.9
Global Value Investors Ltd – ordinary shares*	30 June	**25**	28
Treasury Asia Asset Management Ltd – ordinary shares	30 June	**40**	40
RARE Infrastructure Ltd – ordinary shares	30 June	**40**	40
RARE IP Trust – units	30 June	**40**	40
IML Investment Partners Limited (previously Cannae Capital Partners Ltd)- Ordinary shares	30 June	**40**	-
Celeste Funds Management Ltd	30 June	**39**	-
AR Capital Management Pty Ltd	30 June	**30**	-
Aubrey Capital Management Ltd	30 June	**-**	-

* This direct ownership in GVI does not include the indirect 23.75% (2009:27%) interest that TRG holds through its interest in IML.

(i) Principal activity

(a) Investors Mutual Limited provides a funds management capability to both institutional and retail investors.

(b) Orion Asset Management (Aust) Pty Ltd is the parent company of Orion Asset Management Ltd, a wholesale fund management company in Australia.

(c) Global Value Investors Ltd (GVI) invests in global industrial companies that exhibit recurring earnings, and a strong, stable and competitive business.

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

(e) RARE Group (RARE Infrastructure Ltd, RARE IP Trust, RARE North America & RARE Infrastructure Sovereign Enterprise) is a funds mana,gement business specialising in listed global infrastructure assets.

Notes to the Financial Statements

For the Year ended 30 June 2010

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont)

(f) IML Investment Partners Limited (previously Cannae Capital Partners Limited) provides investment sub advisory services to Investors Mutual Limited.

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

(h) AR Capital Management Pty Limited is a company that specialises in absolute return funds

(i) Aubrey Capital Management Ltd is a global growth equity thematic manager based in Edinburgh Scotland. Treasury Group Limited acquired convertible preference shares which could entitle TRG to take 20% of its capital.

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

	CONSOLIDATED	
(c) Additional disclosures	2010	2009
(i) Carrying amount of investments accounted for using the equity method	$	$
Balance at the beginning of the year	**21,029,817**	18,250,634
- Investments in Celeste Funds Management Ltd & AR Capital Management Pty Limited	**1,106,306**	-
- conversion of loan to investment in IML Investment Partners Ltd	**3,283,471**	-
- write-down of investment in jointly controlled entity (Confluence Asset Management Ltd)	**-**	(24,311)
- trust distribution received from a jointly controlled entities for prior years	**(337,735)**	(583,723)
- share of jointly controlled entities' net profits for the financial year	**14,044,639**	9,103,298
- share of unrealised gains reserve of a jointly controlled entity (Investors Mutual Ltd)	**172,636**	-
- dividends received from jointly controlled entities	**(11,465,993)**	(5,716,081)
Balance at the end of the year	**27,833,141**	21,029,817
(ii) Share of jointly controlled entities' balance sheets:		
Current assets	**26,630,803**	20,865,480
Non-current assets	**4,164,034**	757,851
Current liabilities	**(11,406,408)**	(8,475,199)
Non-current liabilities	**(3,191,471)**	(2,584,738)
Net assets	**16,196,958**	10,563,394
(iii) Share of jointly controlled entities' revenues		
Revenues	**36,846,165**	32,721,769
(iv) Share of jointly controlled entities' net income		
Profit before income tax	**20,063,770**	13,098,756
Income tax expense	**(6,019,131)**	(3,995,458)
Profit after income tax	**14,044,639**	9,103,298

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

The investments in associates and jointly controlled entities are carried at cost on the Balance Sheet of Treasury Group Limited.

Notes to the Financial Statements

For the Year ended 30 June 2010

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
15. PLANT AND EQUIPMENT					
Furniture & fittings					
At cost		**79,682**	79,682	**13,091**	13,091
Accumulated depreciation		**(36,719)**	(28,306)	**(7,670)**	(4,322)
	15(a)	**42,963**	51,376	**5,421**	8,769
Office equipment					
At cost		**352,745**	328,373	**217,285**	215,315
Accumulated depreciation		**(286,516)**	(259,713)	**(201,090)**	(190,585)
	15(a)	**66,229**	68,660	**16,195**	24,730
Leasehold improvements					
At cost		**24,563**	24,563	**21,423**	21,423
Accumulated depreciation		**(13,832)**	(6,677)	**(11,596)**	(5,044)
	15(a)	**10,731**	17,886	**9,827**	16,379
Total written down amount		**119,923**	137,922	**31,443**	49,878

(a) Reconciliations

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

	2010	2009	2010	2009
Furniture & fittings				
Opening balance	**51,376**	69,468	**8,769**	21,272
Additions	-	12,675	-	12,330
Disposals	-	(20,081)	-	(20,081)
Depreciation expense	**(8,413)**	(10,686)	**(3,348)**	(4,752)
Closing balance	**42,963**	51,376	**5,421**	8,769
Office equipment				
Opening balance	**68,660**	94,866	**24,730**	42,264
Additions	**24,371**	13,987	**1,970**	3,276
Disposals	-	(5,765)	-	(5,765)
Depreciation expense	**(26,802)**	(34,428)	**(10,505)**	(15,045)
Closing balance	**66,229**	68,660	**16,195**	24,730
Leasehold improvements				
Opening balance	**17,885**	8,015	**16,378**	5,503
Additions	-	21,423	-	21,423
Disposals	-	(4,953)	-	(4,953)
Depreciation expense	**(7,154)**	(6,600)	**(6,551)**	(5,595)
Closing balance	**10,731**	17,885	**9,827**	16,378

Notes to the Financial Statements

For the Year ended 30 June 2010

		CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
16. INTANGIBLES					
Software					
At cost		**106,669**	31,709	**8,118**	8,118
Accumulated amortisation		**(38,911)**	(13,320)	**(6,477)**	(5,383)
	16(a)	**67,758**	18,389	**1,641**	2,735
(a) Reconciliations					
Reconciliations of the carrying amounts of intangibles at the beginning and end of the current financial year.					
Software					
Opening balance		**18,388**	12,468	**2,735**	4,558
Additions		**74,959**	14,067	**-**	-
Amortisation expense		**(25,589)**	(8,147)	**(1,094)**	(1,823)
Closing balance		**67,758**	18,388	**1,641**	2,735
17. OTHER FINANCIAL ASSETS					
NON-CURRENT					
Investment in subsidiaries - at cost		**-**	-	**5,000,202**	5,001,943
Investment in jointly controlled entities - at cost		**-**	-	**16,815,094**	12,275,601
Investment in associates – at cost		**-**	-	**-**	149,717
		-	-	**21,815,296**	17,427,261
18. TRADE AND OTHER PAYABLES (CURRENT)					
Trade payables		**929,189**	432,770	**240,264**	182,257
Other payables		**1,307,582**	465,453	**793,954**	79,662
Related party payables:					
- subsidiaries		**-**	-	**94,076**	811
- jointly controlled entities		**3,892,199**	2,260,173	**-**	-
- associates		**-**	13,708	**-**	-
		6,128,970	3,172,104	**1,128,294**	262,730

(a) Fair value

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

(b) Related party payables

For terms and conditions relating to related party payables please refer to Note 28.

(c) Interest rate and liquidity risk

Trade and other payables are non-interest bearing. Liquidity risk exposure is not regarded as significant. Trade, other and related party payables are all due within less than 90 days.

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
19. PROVISIONS				
Current				
Provision for annual leave, beginning balance	**274,191**	184,940	**164,568**	112,720
Provisions during the year	**131,736**	178,502	**74,333**	103,696
Annual leave taken	**(71,159)**	(89,251)	**(21,962)**	(51,848)
Provision for annual leave, closing balance	**334,768**	274,191	**216,939**	164,568
Non-Current				
Provision for long service leave, beginning balance	**52,154**	56,250	**52,154**	56,250
Provisions during the year	**26,630**	7,800	**8,280**	7,800
Long service leave taken/reversal	**(60,434)**	(11,896)	**(60,434)**	(11,896)
Provision for long service leave, closing balance	**18,350**	52,154	**-**	52,154

20. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares

Issued and fully paid	**29,594,265**	29,594,265	**29,594,265**	29,594,265

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

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

(b) Movements in ordinary shares on issue

	TREASURY GROUP LIMITED			
	2010		2009	
	Number of shares	$	Number of shares	$
Balance at beginning of the financial year	23,070,755	29,594,265	23,127,023	30,060,320
Issued during the year				
- exercise of options	-	-	-	-
- share buy-back	-	-	(56,268)	(466,055)
Balance at end of the financial year	**23,070,755**	**29,594,265**	23,070,755	29,594,265

Notes to the Financial Statements

For the Year ended 30 June 2010

20. CONTRIBUTED EQUITY AND RESERVES (Cont.)

(c) Capital management (Cont.)

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 2010, management paid dividends of $5,075,567 (2009: $9,236,906). Management anticipates maintaining a dividend payout ratio over a medium term period of at least 50% of normalised earnings in a normal year. There are currently no plans to issue further shares on the market.

The Group does not have any external borrowings.

(d) Share Options

Options over ordinary shares:

During the financial year, no options were issued over ordinary shares (2009: 1,000,000).

At the end of the year there were 1,655,000 (2009: 2,715,000) unissued ordinary shares in respect of which 1,655,000 options (2009: 2,715,000) were outstanding to employees of the Group and jointly controlled entities. The options had a weighted average exercise price of $11.85 (2009: $10.00).

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
(e) Retained profits				
Balance at the beginning of the year	**16,868,015**	21,479,295	**7,932,661**	15,039,090
Net profit for the year	**11,676,131**	4,945,543	**9,033,443**	2,130,477
Deconsolidation of entities no longer controlled	**(132,886)**	(319,917)	**-**	-
Dividends	**(5,075,567)**	(9,236,906)	**(5,075,567)**	(9,236,906)
Balance at end of year	**23,335,693**	16,868,015	**11,890,537**	7,932,661

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
20. CONTRIBUTED EQUITY AND RESERVES (Cont)				
(f) Reserves				
Net unrealised gains reserve				
Balance at the beginning of year	**150,029**	(394,901)	**175,024**	(394,902)
Gain on available-for-sale investments previously consolidated	**24,995**	-	**-**	305,707
Transfer to income statement on impairment of available-for-sale investments	**-**	544,930	**-**	89,195
Net unrealised (losses) / gains on available-for-sale investments	**72,386**	-	72,386	250,034
Tax effect of (losses) / gains on available-for-sale investments	**(21,715)**	-	(21,715)	(75,010)
Share of after-tax gain on available-for-sale investments of jointly controlled entity	**172,636**	-	-	-
Balance at end of year	**398,331**	150,029	**225,695**	175,024
Share options reserve				
Balance at the beginning of year	**3,290,780**	2,605,784	**3,290,780**	2,605,784
Share-based payments, net of reversal	**(511,049)**	653,069	**(511,049)**	653,069
Share-based payments recharged to related parties	**19,242**	31,927	**19,242**	31,927
Balance at end of year	**2,798,973**	3,290,780	**2,798,973**	3,290,780
Foreign currency translation reserve				
Balance at the beginning of year	-	28,556	-	-
Deconsolidation of entities no longer controlled	**-**	(28,556)	**-**	-
Balance at end of year	-	-	-	-
Total reserves	**3,197,304**	3,440,809	**3,024,668**	3,465,804

Notes to the Financial Statements

For the Year ended 30 June 2010

20. CONTRIBUTED EQUITY AND RESERVES (Cont)

(f) Reserves (Cont.)

Nature and purpose of reserves

Net unrealised gains reserve

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

Share Options reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 23 for further details of these plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
(g) Non-controlling interests		
Interest in earnings	-	7,508
	-	7,508
Interest in equity	-	192,899
	-	192,899

21. SEGMENT INFORMATION

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. This also captures investor and investee relationships. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required the entity to identify two sets of segments (business and geographical) using a risk and rewards approach, with the entity's reporting to key management personnel only acting as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's segments has changed.

In prior periods segment information reported externally was analysed based on the services supplied by the Group, namely funds management as the sole service. However, 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 asset class 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. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new 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 for the periods under review:

	Notes	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
Segment profit/(loss) after tax for the year			
- Outsourcing and Trustee Services		**372,153**	(1,100,825)
- Australian equities		**10,841,520**	8,708,047
- International equities		**974,355**	510,610
- Alternative investments		**2,228,764**	(115,359)
		14,416,792	8,002,473
- Central administration costs and directors' salaries		**(2,740,661)**	(3,056,930)
Total per income statement		**11,676,131**	4,945,543

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

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

Notes to the Financial Statements

For the Year ended 30 June 2010

22. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into commercial property leases to meet its office accommodation requirements. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2010	2009	2010	2009
		$	$	$	$
Future minimum rentals:					
Minimum lease payments					
- not later than one year		**372,899**	358,557	**372,899**	179,278
-later than one year and not later than five years		**205,789**	578,688	**205,789**	289,344
Aggregate lease expenditure contracted for at reporting date		**578,688**	937,245	**578,688**	468,622
Amounts not provided for:					
- rental commitments		**578,688**	937,245	**578,688**	468,622
Total not provided for		**578,688**	937,245	**578,688**	468,622
Aggregate lease expenditure contracted for at reporting date		**578,688**	937,245	**578,688**	468,622

Note:

(a) Properties under non-cancellable operating leases have been sub-let to controlled entities. The total of future minimum lease payments expected to be received from controlled entities at the reporting date is nil (2009: $468,622).

Notes to the Financial Statements

For the Year ended 30 June 2010

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Officer and Executive Option Plan

An Officer and Executive Option Plan has been established where Treasury Group Limited may, at the discretion of the Board of Directors, grant options over the ordinary shares of Treasury Group Limited to Directors, executives and certain members of staff of the consolidated entity. The options are granted in accordance with performance guidelines established by the Board of Directors of Treasury Group Limited, although the Board of Treasury Group Limited retains the final discretion on the issue of the options. Options are granted under the plan for no consideration and carry no dividend nor voting rights. When exercisable, each option is convertible into one ordinary share. The options are not quoted on the ASX. There are no cash settlement alternatives. Employees have to be employed by the consolidated group during the vesting period, otherwise the options are forfeited.

The positive expense reversal recognised in the Income Statement in relation to this share-based payments plan is $491,807 for the Consolidated Entity (2009: $684,996 expense) and $511,049 (2009: $653,069 expense) for the Parent.

The weighted average exercise price of options granted during the year was $nil for the consolidated entity (2009: $10.00) and $nil for the Parent (2009: $10.00).

The following table illustrates the number and weighted average exercise prices of and movements in share options outstanding during the year:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	**2,155,000**	**$14.24**	1,565,000	$17.41
- lapsed during the year ^	**(650,000)**	**19.77**	(410,000)	$10.00
- granted during the year	-	-	1,000,000	$10.00
- exercised during the year	-	-	-	-
Outstanding at the end of the year	**1,505,000**	**11.85**	2,155,000	$14.24
Exercisable at the end of the year	-	-	-	-

^ During 2010, 650,000 options lapsed held by certain key management personnel (2009: 410,000).

The outstanding balance as at 30 June 2010 is represented by:

- 80,000 options over ordinary shares with an exercise price of $19.00, exercisable between 1 July 2010 and 31 December 2010;
- 150,000 options over ordinary shares with an exercise price of $20.00, exercisable between 1 July 2010 and 31 December 2010;
- 275,000 options over ordinary share with an exercise price of $12.07, exercisable between 12 March 2011 and 12 September 2011;
- 400,000 options over ordinary share with an exercise price of $10.00, exercisable between 16 December 2011 and 16 December 2012; and
- 600,000 options over ordinary share with an exercise price of $10.00, exercisable between 16 December 2013 and 16 December 2014

Notes to the Financial Statements

For the Year ended 30 June 2010

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont)

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

	2010	2009
• Historical volatility for the financial year	n/a	43.00%
• Risk free rate	n/a	4.26%
• Dividend yield	n/a	7.00%
• Expected life	n/a	4-6 years

- Other variables as contained in the notes to the financial report.

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

Officer and Executive Long Term Incentive Share Plan

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

The expense recognised in the Income Statement in relation to this share-based payment plan is nil for the consolidated entity (2009: nil) and nil for the parent entity (2009: nil)

The following table illustrates the number and weighted average purchase price of shares purchased under the Officer and Executive Long Term Incentive Share Plan:

	2010		2009	
	Number of Shares	Share Price when purchased	Number of Shares	Share Price when purchased
Outstanding at beginning of year	**29,020**	**10.00**	29,020	10.00
- granted during the year	-	-	-	-
Outstanding at the end of the year	**29,020**	**10.00**	29,020	10.00

The fair value of shares on the dates granted ranged between $9.60 - $10.10. The shares vest on 12 March 2011.

Employee Share Plan

The Employee Share Plan has been established whereby Treasury Group Limited, at the discretion of the Board of Directors, provides the opportunity to employees and Directors to purchase shares in Treasury Group Limited at market value less a discount of 5% to 20%. These shares are purchased via a salary sacrifice arrangement. The shares are held in trust at the employee's request for a period between 2 and 10 years. Employees have to be employed by the consolidated group while taking part in the plan. There are 23 employees eligible to participate in the plan. Shares acquired under the Employee Share Plan vest immediately. During the year, 15,730 (2009: 21,032) shares were purchased under the plan at a weighted average cost of $5.47 (2009: $7.46). The balance as at 30 June 2010 was 89,798 shares (2009: 142,079). Of those shares 15,730 (2009: 84,750) were vested and 68,011 were sold (2009: nil). The weighted average cost of all shares is $5.42 (2009: $10.82) per share.

Notes to the Financial Statements

For the Year ended 30 June 2010

24. SUBSEQUENT EVENTS

On 25 August 2010 the Directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $3,229,906 which represents a fully franked dividend of 14 cents per share. The dividend has not been provided for in the 30 June 2010 financial statements.

25. EARNINGS PER SHARE

	CONSOLIDATED	
	2010	2009
	$	$
Net profit attributable to ordinary equity holders of the parent	**11,676,131**	4,945,543
	Number of shares	
Weighted average number of ordinary shares used in calculating basic earnings per share:	**23,070,755**	23,077,962
Effect of dilutive securities:		
Dilutive effect of potential ordinary shares – share options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**23,070,755**	23,077,962
Earnings per share (cents per share)		
• basic for profit for the year attributable to ordinary equity holders of the parent	50.61	21.43
• diluted for profit for the year attributable to ordinary equity holders of the parent	50.61	21.43

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

Notes to the Financial Statements

For the Year ended 30 June 2010

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

M. Fitzpatrick	Chairman (non-executive)
M. Burgess	Managing Director
D. Cooper	Executive Director
P. Kennedy	Director (non-executive)
R. Hayes	Director (non-executive)

(ii) Executives

J. Ferragina	Chief Financial Officer
C. Feldmanis	Managing Director – Treasury Group Investment Services Limited
R. Sullivan	Head of Distribution

There were no changes to key management personnel between reporting date and the date the financial report was authorised for issue.

(b) Compensation for Key Management Personnel

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
Short-term	**3,350,952**	2,522,244	**2,865,413**	2,235,988
Post employment	**86,837**	81,801	**72,376**	68,056
Share-based payments	**(491,807)**	684,996	**(511,049)**	653,069
Total remuneration	**2,945,982**	3,289,041	**2,426,740**	2,957,113

Notes to the Financial Statements

For the Year ended 30 June 2010

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont..)

(c) Option holdings of Key Management Personnel

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

30 June 2009	Balance at 1 July 2008	Granted as remuneration	Options exercised	Options lapsed	Balance at 30 June 2009	Total vested and exercisable at 30 June 2009*
Directors						
M. Fitzpatrick	-	-	-	-	-	-
D. Cooper	900,000	-	-	(250,000)	650,000	-
M. Burgess ^	-	1,000,000	-	-	1,000,000	-
P. Kennedy	-	-	-	-	-	-
R. Hayes	-	-	-	-	-	-
Executives						
J. Ferragina	250,000	-	-	(100,000)	150,000	-
C. Feldmanis	140,000	-	-	(60,000)	80,000	-
R. Sullivan	275,000	-	-	-	275,000	-
Total	1,565,000	1,000,000	-	(410,000)	2,155,000	-

* Options are exercisable once vested
^ Appointed during the year

Notes to the Financial Statements

For the Year ended 30 June 2010

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

(d) Share Holdings of Key Management Personnel (Cont.)

30 June 2010

Ordinary shares held in Treasury Group Limited (number)	**Balance 1 July 2009**	**Granted as remuneration**	**On exercise of options**	**Net change other #**	**Balance 30 June 2010**
Directors					
M. Fitzpatrick	2,701,285	-	-	-	2,701,285
M. Burgess	-	-	-	5,000	5,000
D. Cooper	633,000	-	-	-	633,000
P. Kennedy	120,978	-	-	25,060	146,038
R. Hayes	-	-	-	-	-
Executives					
J. Ferragina	16,237	-	-	-	16,237
C. Feldmanis	28,745	-	-	-	28,745
R. Sullivan	16,122	-	-	-	16,122
Total	3,516,367	-	-	30,060	3,546,427

30 June 2009

Ordinary shares held in Treasury Group Limited (number)	**Balance 1 July 2008**	**Granted as remuneration**	**On exercise of options**	**Net change other #**	**Balance 30 June 2009**
Directors					
M. Fitzpatrick	2,658,085	-	-	43,200	2,701,285
M. Burgess^	-			-	-
R. Green^^	1,465,000	-	-	(1,465,000)	-
D. Cooper	633,000	-	-	-	633,000
P. Kennedy	93,708	-	-	27,270	120,978
R. Hayes	-	-	-	-	-
Executives					
J. Ferragina	16,237	-	-	-	16,237
C. Feldmanis	28,745	-	-	-	28,745
R. Sullivan	16,122	-	-	-	16,122
E. Jurgeleit^^	-	-	-	-	-
Total	4,910,897	-	-	(1,394,530)	3,516,367

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

(e) Transactions with director-related entity

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

(f) Loans to key management employees

No loans have been advanced to key management employees at any stage during the financial year ended 30 June 2010 (2009: $Nil).

Notes to the Financial Statements

For the Year ended 30 June 2010

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2010	2009	2010	2009
	$	$	$	$
27. AUDITORS' REMUNERATION				
Auditor of Parent entity (Deloitte Touche Tohmatsu)				
Amounts received or due and receivable by Deloitte Touche Tohmatsu:				
- an audit or review of the financial report of the entity and any other entity in the consolidated group	**154,000**	84,500	**140,500**	72,000
- non-audit services to the entity and any other entity in the consolidated group	**51,000**	4,440	**-**	-
	205,000	88,940	**140,500**	72,000

28. RELATED PARTY DISCLOSURES

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

	Percentage of equity interest held by the consolidated entity	
	2010	2009
	%	%
Companies		
Treasury Capital Management Pty Ltd	**100**	100
Treasury Group Investment Services Limited	**100**	100
Treasury Group Nominees Pty Ltd	**100**	100
Funds		
Cannae Australian Share Fund	**-**	100
Cannae High Conviction Fund	**-**	100
RARE Series Value Fund	**10**	58
RARE Series Emerging Markets Fund	**9**	64
Treasury Group Nominees Trust	**-**	-

The Group disposed of its interest in Cannae Australian Share Fund & Cannae High Conviction Fund. Accordingly, these entities are no longer consolidated. Moreover, the Group reduced its interest in RARE Series Value Fund and RARE Series Emerging Markets Funds. Accordingly, these entities are no longer consolidated and are treated as available-for-sale investments.

All subsidiaries are incorporated in Australia.

The Consolidated Entity has seeded a number of funds in prior years.

Notes to the Financial Statements

For the Year ended 30 June 2010

28. RELATED PARTY DISCLOSURES (Cont.)

Transactions with related parties

On 6 October 2009, Treasury Group Limited completed the acquisition of a 30% ownership interest in AR Capital Management Pty Limited, an Australian equity absolute return manager. One of the sellers was an entity associated with Mr. Fitzpatrick, chairman of Treasury Group, which sold a portion of its equity stake equating to 10.4% of the equity in AR Capital Management Pty Limited together with the remaining 19.6% acquired from unrelated entities. The entity associated with Mr Fitzpatrick continues to own 8.4% of AR Capital Management Pty Limited.

Transactions with jointly controlled entities

Service fees

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

Dividend

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

Loans

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

During the year, Treasury Group Limited provided $1,702,627 in additional loans to jointly controlled entities (2009: $120,000) and $881,991 (2009: $158,345) in repayments were received, repaying the outstanding loan. Capitalised interest to jointly controlled entities during the year was $283,262 (2009: $333,253). Details of interest income and the amount remaining outstanding at year-end are disclosed in Note 5 and Note 13 to the financial report respectively.

Fund management

During the year, Fund management and administration fees paid amounting to $501,048 (2009: $928,478) are included in the Fund Management and Administration Fees on the Income Statement. Payables at the reporting date are disclosed in Note 18 to the financial report.

Transactions with associates

Service fees

During the year, a controlled entity provided administrative services to associates. Dealings were on commercial terms and conditions. Details of service fees and receivables at reporting date are disclosed in Note 5 and Note 10 to the financial report respectively.

Loans

During the year, Treasury Group Limited provide additional loans to associates $746,177 (2009: $943,000). Capitalised interest for the year is $113,457 (2009: $150,693). Loan to associates for $3,283,471 was converted to investment (2009: nil). The existing loans have been in accordance with a working capital loan facility and are on a long-term basis. The loan term for repayment is 10 years upon the debtor reaching a breakeven profit position as defined in the loan agreement. No repayments were received from associates during the year (2009: $nil).

The carrying amount of non current loans and receivables at the balance date was nil (2009: $1,779,296). There was no impairment of loans during the year (2009: $497,123). Details of the impairment loss calculation are provided in Note 13.

In accordance with the loan agreements, interest on the loans was capitalised at commercial fixed rates. Details of interest income are disclosed in Note 5 to the financial report.

Directors' Declaration

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

1. In the opinion of the Directors:

    (a) the financial statements and notes 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 2010 and of their performance for the year ended on that date; and

    (ii) complying with Accounting Standards and Corporations Regulations 2001; and

    (iii) complying with International Financial Reporting Standards, as stated in note 2 to the financial statements

    (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2010.

On behalf of the Board

M Fitzpatrick
Chairman

Sydney, 25 August 2010

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Treasury Group Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Treasury Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Treasury Group Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A H Young
Partner
Chartered Accountants

Sydney, 25 August 2010

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 2010).

The number of shareholders by size of holding, in each class of share are:

			Ordinary shares	
			Number of holders	Number of shares
1	–	1,000	1,245	**749,797**
1,001	–	5,000	1,176	**2,772,469**
5,001	–	10,000	159	**1,145,848**
10,001	–	100,000	128	**3,487,749**
100,001	and over		21	**14,914,892**
			2,729	**23,070,755**

The number of shareholders holding less than a marketable parcel of shares are:	91	5,377

(b) Twenty largest shareholders (as at 13 August 2010)

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Squitchy Lane Holdings Pty Ltd	2,401,500	10.41
2	National Nominees Limited	1,445,327	6.26
3	RBC Dexia Investor Services Australia Nominees Pty Ltd	1,253,998	5.44
4	UBS Wealth Management Australia Nominees Pty Ltd	1,156,509	5.01
5	Kattag Holdings Pty Ltd	1,150,000	4.98
6	HSBC Custody Nominees (Australia) Limited	1,129,821	4.90
7	Citicorp Nominees Pty Ltd	992,334	4.30
8	Aust Executor Trustees NSW Ltd	963,087	4.17
9	Mr Timothy Gerard Ryan	840,000	3.64
10	DSBH Pty Ltd	633,000	2.74
11	Perpetual Trustee Company Ltd	620,591	2.69
12	Mr Michael De Tocqueville	430,000	1.86
13	Banson Nominees Pty Ltd	370,313	1.61
14	Top Pocket Pty Ltd	311,390	1.35
15	ANZ Nominees Limited	293,595	1.27
16	HFM Investments Pty Ltd	250,000	1.08
17	Bond Street Custodians Limited	217,281	0.94
18	Penswood Pty Ltd	199,000	0.86
19	Ms Honora Valerie Corbett	198,000	0.86
20	Harkosi Securities Pty Ltd	120,000	0.52
		14,975,746	**64.89**

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
Michael Fitzpatrick	2,701,285

(d) Voting rights

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