

## Chairman's Commentary



“Your Company is in a strong financial position and has robust operating businesses to build upon for the future.”

### Dear Shareholders,

It has been a tumultuous year in both the real economy and investment markets where market values of all asset classes have experienced their worst declines in over 60 years and the outlook for the real economy over the coming 12 months continues to look challenging.

As a result of the market turmoil, the value of your Trust shareholdings has fallen over the past 12 months, although the decline is generally in line with the market prices of peer group companies operating in the financial services sector. While this is disappointing, your directors are comforted by the resilience of the Company's revenue base and the quality of the operating earnings. Your new Managing Director, John Atkin, will take you through this in much greater detail later in his report but suffice to say that your Company is in a strong financial position and has robust operating businesses to build upon for the future.

The Company's strong performance in the financial year ended 28 February 2009 (FY09) resulted in a record dividend payment to shareholders of 142c per share, up 163% on last year. This includes the 100c special dividend following the sale of our 50% share in The Bank of New York Trust Australia (BNYTA) joint venture.

With the announcement of our FY09 results, we stated that we were changing the dividend payout policy in respect of the earnings for the financial year ending 28 February 2010 (FY10). For FY10, we will target a payout ratio of 100% of reported net profit after tax (NPAT). This compares with the practice in recent years of paying out not less than 90% of operating NPAT. We also announced that we will be conducting a review of our capital management and dividend policies for subsequent financial periods. In doing so, we will continue to be mindful of the importance shareholders place on their annual dividend flow.

With regard to dividends, we are concerned about any changes to the current imputation credit system flowing from the Federal Government review of the Australian tax system. Trust will monitor the situation closely and make representations to the review panel through its industry association memberships. We urge you to likewise make representations to Government. Dividend franking is one of the important platforms upon which our investment markets and rewards for shareholders is based. The Government should not tamper with it.

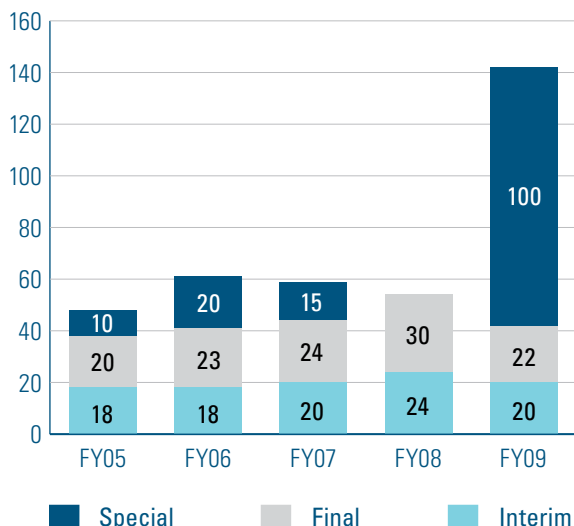
There has been much community comment over recent months about executive remuneration. With this in mind, base remuneration for all Trust employees has been frozen, except where there has been a significant change in responsibility. However, dependent upon their seniority, employees (excluding non-executive directors) have the capacity to earn higher

remuneration should they deliver outstanding value for shareholders. Details of the employee incentive structure are incorporated in the Remuneration Report to be found later in this report. A review of those schemes to strengthen the alignment between employee and shareholder interests through ensuring a greater proportion of performance payments are in shares and less in cash has been put on hold pending the outcome of the Federal Government's review into employee share schemes. Non-executive director fees have also been frozen for FY10.

December 31, 2008 was a milestone in Trust's history – it marked the end of the Sweeney family's stewardship of the Company's affairs. Jonathan Sweeney, and before him his father John Sweeney, managed Trust for some 30 years with great distinction. Many of you, our shareholders, are here as a direct consequence of the Sweeney family involvement. During the last weeks of his life, I was approached by John Sweeney to join the Board and have been privileged to serve as a Director since 2000.

During Jonathan's eight years as Managing Director, significant shareholder wealth has been created. He drove two outstanding transactions – the merger with Permanent Trustees, and the joint venture with The Bank of New York Mellon. Jonathan left the Company in a strong position. We thank him for his significant contribution and wish him well in his future endeavours.

**FY05 – FY09 Dividends (c/share)**



When Jonathan gave us notice of his intention to resign, we embarked on a wide ranging search program to find a suitable replacement. We have been extremely fortunate to have attracted John Atkin to become our new Managing Director & Chief Executive Officer effective 19 January 2009. Much has been written about John's vocational record and there was a good piece in the recent edition of our quarterly client newsletter called 'Trust Perspective', which has been posted to our website [www.trust.com.au](http://www.trust.com.au). John has had a distinguished career both as one of Australia's leading commercial lawyers and more recently as Managing Partner of one of Australia's leading law firms. Your Board is delighted with his appointment. We are confident that your Company's future is in good hands under his leadership.

As is customary when there is a change in leadership, John and his new senior management team are conducting a detailed review of all of the Company's business activities and expect to be in a position to announce our future strategic direction with the release of our half year results in October 2009. We already occupy market leading positions in a number of our service offerings which, combined with our solid financial and management platform, give us good reason to be optimistic about the future of your Company.

Philanthropy is a particular area of Trust's operations we will seek to grow. Investment in our communities and the welfare of those less fortunate is central to our ethos and our commitment to enhance society more generally. With our national economy currently under great stress, we believe our work in this area is even more important.

In conclusion, your directors thank you for your continued support.

**Bruce Corlett**  
Chairman

## Managing Director's Report



“The ‘hidden gems’ we have already discovered within our services and our people will provide the impetus for adapting our business model for the future.”

### FY09 Financial Highlights

Trust's strong financial performance during the recent period of unprecedented turmoil is testament to its position as a leading independent trustee company with 124 years experience.

Our core measure of profitability – Operating EBITDA – was down only 8% in FY09, and within guidance. This result reflects the underlying strength of the business, its high levels of recurring income, its loyal client base and prudent cost control. The \$4.4m in cost savings achieved in the year largely offset the

\$6.1m revenue impact of falling investment markets and led to a 2% increase in our operating margin to 34%.

Reported net profit after tax (NPAT) increased 2% due to a net contribution of \$5.1m after tax from significant items. The sale of our 50% share in the securitisation joint venture with The Bank of New York Mellon for a total consideration of \$39.2m resulted in an after tax profit of \$13.9m. This was an impressive transaction completed eight months into the sub-prime crisis. It reflects both the good timing and the skilled structuring of

### Summary of FY09 Performance

Year ended 28 February (A\$m)	FY08	FY09	% change
<b>Operating revenue</b>	61.5	<b>55.4</b>	(10%)
<b>Ongoing operating EBITDA</b>	20.3	<b>18.6</b>	(8%)
Ongoing operating margin	33%	<b>34%</b>	2%
Other income	4.5	<b>4.3</b>	
Depreciation and amortisation	(1.0)	<b>(1.0)</b>	
Operating income tax expense	(6.5)	<b>(6.4)</b>	
<b>Operating NPAT</b>	17.3	<b>15.5</b>	(10%)
Net significant items (after tax)	0.2	<b>5.1</b>	
Profit share of BNYTA (after tax)	2.8	–	
<b>Reported NPAT</b>	20.3	<b>20.6</b>	2%
<b>EPS operating (cents per share)</b>	53	<b>48</b>	
EPS reported (cents per share)	63	<b>64</b>	2%
<b>Total DPS (cents per share)</b>	54	<b>142</b>	163%

the joint venture at its original conception by my predecessor Jonathan Sweeney. On completion of this transaction in June last year, shareholders received a special dividend from the after-tax proceeds of 100c per share, 70% franked. This caps a successful period of driving returns for shareholders through strategic transactions and non-core asset sales; in fact, shareholders have received significant returns through special dividends declared in four of the last five years.

Total ordinary dividends for FY09 amounted to 42c, fully franked. Adding the special dividend brings the total amount paid per share to 142c, an increase of 163% on the previous corresponding period.

The \$13.9m after tax profit from the sale of BNYTA was offset by \$8.8m in impairment and other charges. This includes the after tax impairment charges on our investment in two listed trustee companies, Equity Trustees and Tasmanian Perpetual Trustees. Preliminary discussions about a possible merger with Equity Trustees terminated in May 2008. We are confident our current investment in Equity Trustees will benefit us in the longer term. With respect to our investment in Tasmanian Perpetual Trustees, it announced a proposed merger with MyState Financial Credit Union of Tasmania Ltd in October 2008. We are waiting on the release of the scheme booklets to make a more comprehensive evaluation of this proposal.

Our operating cash flow remains very strong rising 10% to \$20.8m, largely due to good working capital control. This demonstrates the strong cash generation abilities of the existing business. However, interim funding relating to the fraud in our Townsville branch resulted in funding requirements of \$8.3m. In November 2008, we reported these irregularities to the market having immediately engaged forensic accountants to investigate. We set up a restitution account of \$7m in December, which has been operated by an independent firm of solicitors for the benefit of all affected clients. This is to give them the utmost confidence in our commitment to honour all our obligations to them. We have been working closely with both clients and the forensic accountants to establish the exact quantum owed of capital and interest. In addition, the weaknesses in our systems that allowed this fraud to occur have been addressed. Our insurance claim is currently being assessed, with the matter expected to be finalised by the end of FY10.

## Operational Highlights

The sound performance of the Institutional Services Division underpinned the performance of the Group as a whole. Within this Division, our Responsible Entity (RE) business won significant mandates during the year as orphan trusts sought out the services of a reputable and independent service provider. Our Property & Infrastructure Custody (PIC) grew with existing clients who started to enjoy the benefits of TRUaccess, our new online custody system. TRUaccess brings integrity and efficiency to our clients operations at a time when these two aspects are becoming central to the ongoing survival of business in the financial services sector. There is strong interest in this platform in the Singapore property market, as well as other classes of assets which are large and document intensive. We experienced resilient performance of the assets under supervision in our Institutional Business – up 4% during the course of the year. The bulk of this increase came from our PIC business; Superannuation and Structured Finance business assets under supervision fell in line with investment markets.

During the year, Asian operations were rationalised saving \$0.8m in costs. We remain committed to the region, and the strong relationships established in this market by our leader in Singapore Andrew Cannane position Trust to benefit when market conditions improve.

In the Financial Services Division, the Health & Personal Injury business experienced a strong boost to new business of 66%. As part of our technology overhaul, or “Program Ben” initiatives, we completed a nation-wide project to scan 35,000 wills into a new database. This allows our estates and trusts team to deliver greater operating efficiencies, to build their client relationships from the extensive database, and to greatly reduce the business risk of losing documents held.

The balance of our Cash Management Trusts (CMT) in the wake of the Government Guarantee on 12th October 2008 illustrates the loyalty of our private clients. While other non-bank institutions experienced a run on their cash deposits, our CMT held steady, and actually increased over the year (refer to chart on page 10). Overall, however, assets under supervision at the year end had fallen by 24% to around \$3bn in Financial Services Division due to the high proportion of equities.

## Managing Director's Report (continued)

Understanding the sensitivity of financial performance to investment markets is important for both shareholders and the business in these volatile times. We estimate that around 40% of our revenues are insulated from asset value volatility. Our revenue is impacted by approximately \$100,000 for every 1% move in the ASX200 index (at levels of 3500). The Institutional Services Division has a greater degree of insulation with around 50% of its revenues derived from base management fees. In the case of Financial Services, we estimate the proportion of revenues generated off fixed asset classes like cash is lower at around 30%.

### Outlook & Dividends

As mentioned by the Chairman, we have altered our dividend payout policy from not less than 90% of operating NPAT to a target of 100% of reported NPAT for the current financial year FY10. The increase in the payout ratio to 100% reflects the fact that we currently have surplus capital for existing requirements, and the shift to reported NPAT implies that net significant items will be included in the calculation of FY10 dividend payouts. As capital management will feature in the strategic review, I will report back to shareholders on dividend policy before the end of the current financial year. We have also suspended the DRP as we have surplus capital to current requirements.

Given this alteration in dividend payout policy, we are providing guidance for FY10 financial performance at both the Operating EBITDA level for consistency, as well as the Reported NPAT level off which the FY10 total dividend will be struck. We expect

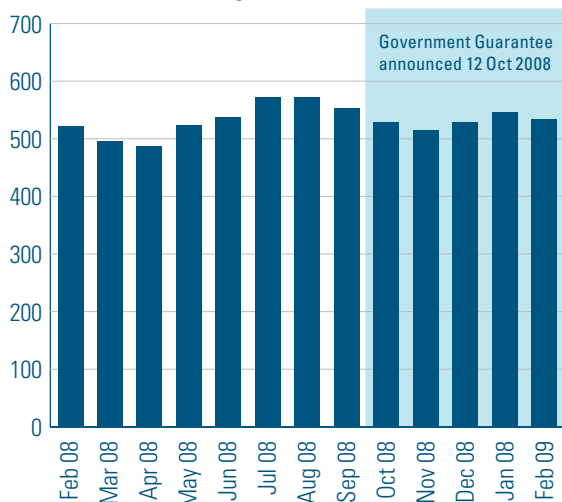
Operating EBITDA to be in the range of \$13m and \$16m; the key assumptions behind this expectation are an opening ASX200 investment market level of 3500; total investment market return of 5.5% for the year; an average fall in property market values of 10%; and lower investment and dividend income from our investment portfolio. We expect reported NPAT to be in the range of \$9m to \$12m, which includes net significant item expense levels of \$0.5m to \$1m after tax. Importantly, this range does not include allowance for any further impact from impairment, implementation of the uniform trustee legislation, or any further unrecoverable Townsville costs. We will update shareholders on our FY10 guidance at our Annual General Meeting to be held on 22nd July 2009 in Melbourne.

### FY10 Work Plan

Our work plan is focused around three strategic themes which have informed our project planning and goal setting objectives for the year. The strategic themes we have chosen for FY10 are:

- **Engage Our Stakeholders:** establishing good communication with our clients to better understand their needs; opening up dialogue with our shareholders and potential investors; and setting clear expectations and performance measures for our staff. We also propose to use our philanthropic activities to promote greater engagement with our market and the community more generally.
- **Focus on Growth:** Growing the revenue line in areas that present immediate opportunities for us. You can get a better flavour from these opportunities in the Business Highlights section which follows this report.
- **Strengthen the Core:** clarifying our business model and underlying drivers, establishing efficient structures for business lines and core services, implementing better management information systems, and maintaining our focus on performance management throughout.

Cash Management Trusts – FY09 (\$m)



an efficient capital and dividend policy. This work will culminate in a Strategic Plan which we anticipate will be completed in time for the 1H10 result presentations in October 2009.

We aim to develop a vision for the company that aligns the aspirations of our key stakeholders, namely shareholders, clients and staff, as this will be critical for long-term success. There is significant potential for growth in the existing business from efficiencies and cross-selling, and we believe we can better leverage the opportunities presented in a number of key business units where we have a strong market presence and proven expertise. We want such “hidden gems” to be well supported and capitalised to keep our business revenues buoyant, and return for shareholders strong.

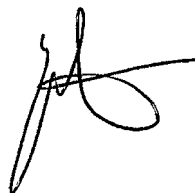
As a first step in releasing Trust’s potential, we have streamlined the management structure at the very top level. Vicki Allen has taken on responsibility for both the Financial Services and Institutional Services Divisions as of 1 March 2009. We want the Group as a whole to benefit from the cross-sell initiatives and improved team work that will flow from the business units working together in a more integrated manner.

### Taking Trust to the Next Level – Leveraging “Hidden Gems”

When presenting our FY09 Annual Results to the market in April after only 100 days in office, I had the opportunity to convey my initial thoughts and aspirations for this company. My understanding of the business and appreciation for its potential continues to grow.

The “hidden gems” we have already discovered within our services and our people will provide the impetus for adapting our business model for the future. The high quality, annuity-style revenues that are the hallmark of Trust and which have delivered steady returns for shareholders provide us with a strong foundation to take the performance of the business to the next level. Releasing this potential will take time and commitment, and our work plan for the year ahead is in place.

I echo the tribute paid by the Chairman to the role of the Sweeney family, and more recently Jonathan Sweeney, in building the business into what it is today. I would like to thank the Board and shareholders for their confidence and support as I take on the challenge of lifting Trust to the next level of performance. Engaging staff on this important journey will be critical to our ultimate success. Therefore, I want to express my particular thanks for the enthusiasm and commitment to change I have already received from staff in my first few months of office. I look forward to addressing shareholders on our FY09 performance and progress to date at the Annual General Meeting on 22nd July 2009.



**John Atkin**  
Managing Director and Chief Executive Officer

