

## ASX / MEDIA RELEASE

### TRUST COMPANY MAINTAINS SOLID PERFORMANCE IN 2009

#### OPERATING EBITDA OF \$18.6 MILLION DELIVERED IN HIGHLY VOLATILE MARKET CONDITIONS

**22 April 2009**

ASX-listed Trust Company Limited (Trust) today reported a solid financial performance for the twelve months to 28 February 2009 (FY09), with operating earnings before interest, tax, depreciation and amortisation (EBITDA) recorded at \$18.6 million.

In one of the most challenging financial market environments for many decades Trust's reported net profit after tax (NPAT) was \$20.6 million in FY09, up 2% on the prior comparative period (pcp). Significant items contributed \$5.1m after tax to the reported profit, comprising \$13.9 million profit on the sale of its 50% stake in the BNYTA joint venture offset by \$8.8 million in impairment of investments and other items.

#### Key financial highlights:

- Operating EBITDA \$18.6 million (down 8% on pcp)
- Operating NPAT \$15.5 million (down 10% on pcp)
- Significant items contribute \$5.1 million after tax
- Reported NPAT of \$20.6 million (up 2% on pcp)
- Strong balance sheet:
  - Liquid assets of \$53.6 million
  - No interest bearing debt
- Total FY09 dividends of 142c per share (up 163% on pcp)
  - Final of 22c per share, fully franked
  - Interim of 20c per share, fully franked
  - Special of 100c per share, 70% franked

The Board of Trust has declared a final dividend of 22 cents per share (100% franked) bringing the total dividends paid for FY09 to \$1.42 per share. This includes the interim dividend last October of 20 cents per share (100% franked), and the special dividend last June of \$1 per share (70% franked) following the sale of its 50% interest in the joint venture with The Bank of New York Mellon.

John Atkin commenced as Trust's Managing Director in January 2009. He said, "Our financial performance in FY09 was solid given the headwinds that we and all financial services companies encountered throughout the year as the global economic downturn accelerated."

“Our resilient business model has enabled us to defend our niche position in the Australian financial services industry. A high proportion of annuity-style revenues has also helped us to deliver relatively steady returns to our shareholders in volatile market conditions.”

On the operational front, Trust continued to enhance its position and market penetration in both the institutional and retail financial services sectors. Trust’s independent Responsible Entity (RE) service won significant mandates in FY09 and new business generated by the Health & Personal Injury (H&PI) team was up 66% on pcp. With over \$416 million in funds under trusteeship, Trust’s reputation in the philanthropic sector in Australia continued to grow, and over \$20 million was distributed to 350 charities during the year. The Cash Management Trust also maintained steady fund levels, a solid result given it competed against institutions that were the beneficiaries of the Government guarantee.

As previously advised, significant irregularities were identified in the accounts of the Townsville office in November 2008. Trust immediately appointed forensic accountants to investigate and established a restitution account of \$7 million in December to honour its obligation to its clients. Since then, the forensic work has informed detailed reconstruction of client accounts and enabled us to pay back over \$4.5 million to affected clients from the restitution account. Our work to finalise client repayments continues and we have also addressed the deficiencies in our process and systems. A formal claim for re-imburement of losses arising from this fraud is currently being assessed by our insurer. We expect resolution of all outstanding issues within this financial year.

Trust’s long-term underlying business drivers remain intact, being an ageing population, increased regulatory scrutiny and the need for independent fiduciary oversight. Trust has strong market shares in several core businesses, a diverse customer base, and critical mass in assets under supervision delivering strong recurring revenue streams.

## **Outlook**

Trust’s operating earnings guidance for financial year 2010 (FY10) is based on lower overall investment market levels when compared to FY09 which is expected to significantly reduce Trust’s operating earnings in FY10. In particular:

- Operating EBITDA (excluding investment income) is expected to be in the range of \$13 million to \$16 million (pcp \$18.6 million); and
- Interest and dividend income from Trust’s investment portfolio to be in the range of \$2 million to \$3 million (after tax) (pcp: \$3.8 million)

The anticipated net significant expense after tax in FY10 is expected to be in the range of \$0.5 million to \$1 million loss (pcp: a gain of \$5.1 million) and primarily relates to the previously announced technology transformation expenses (Program Ben).

Based on the above, reported net profit after tax for FY10 is expected to be in the range of \$9 million to \$12 million (pcp: \$20.6 million). Note that the prior year included net \$5.1 million significant gains that will not reoccur in FY10.

This financial outlook does not include the financial impact of any further decline in investment market levels. We have assumed an opening ASX200 of 3500, and total investment market returns of 5.5% during the year. At a group level, the sensitivity of revenue to market movement will vary with the ASX 200 index. At around the 3,500 level, a 1 percent movement in the ASX 200 will impact our revenue by about \$100,000.

In addition, the financial outlook does not include the impact of any further asset impairment charges, costs or benefits that may arise out of the forthcoming strategic review (see below), the impact of the proposed uniform trustee company legislation or additional uninsurable costs for the Townsville fraud over and above amounts provided for as at 28 February 2009.

With respect to dividends, Trust has previously maintained a policy of paying out dividends of not less than 90% of full year **operating** net profit after tax. For FY10, Trust will suspend the dividend reinvestment plan and target a dividend payout of 100% of **reported** net profit after tax (fully franked) pending the outcome of a review of dividend policy as part of a broader strategic review.

### **Strategic review**

The group's work plan for the current year is focussed on better engaging all its stakeholders, pursuing the immediate opportunities to grow certain business lines and strengthening the core operations of the group.

A strategic review encompassing competitive strategy, brand and culture complements those three elements of the work plan. John Atkin said that with new management following 30 years of Sweeney family stewardship and with the challenges and opportunities emerging from the global financial crisis, it was timely for Trust to review its strategy.

"We have established over a long period an enviable reputation and track record. This has enabled us to occupy the position that we do today with strong business foundations in place. It is now time for Trust to lift to the next level. We have considerable momentum across the group and a real willingness to evolve."

"The long-term client relationships on the corporate and private client side of the business have significant unexplored potential. There is also a lot of potential to grow organically within the existing service lines, particularly in Property and Infrastructure Custody (PIC) and with our independent RE services."

The key elements of the review are to examine and understand our existing business model (which we have already initiated); to assess the evolving competitive landscape following the global financial crisis and to review our brand and culture. The review will also examine the company's dividend and capital management policies.

The objective of the review is to provide a clear vision for the company that aligns the aspirations of all our stakeholders

“The strategic review is already uncovering hidden gems across the Group and will better position Trust for future growth,” John said. The strategic review commenced in March 2009 and is expected to be completed by October 2009, at which point Trust will update the market.

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**About Trust**

**[www.trust.com.au](http://www.trust.com.au)**

Trust Company Limited (Trust) is one of Australia’s longest serving financial services companies with over 124 years of experience.

The Company provides a wide range of financial services which include:

- Personal solutions, offering Wealth Transfer Planning, Trust Lifestyle Care, Health & Personal Injury services, Funds Management, Financial Planning, Estates & Trusts administration and Philanthropy services to intermediaries and the wider retail market
- Corporate solutions, offering Property & Infrastructure Custody, Responsible Entity services, Superannuation Compliance & Trustee services, Structured Finance Trustee services and REIT Trustee services to institutions

Trust has offices in Sydney, Melbourne, Brisbane, Townsville and Singapore, with over 220 employees and a market capitalisation of approximately \$140 million.