

## 2008 ANNUAL GENERAL MEETING

### THE CHAIRMAN'S ADDRESS

**23 July 2008**

Ladies and gentlemen, it is now 10.00 am. As we have a quorum present, I declare the 123<sup>rd</sup> Annual General Meeting of Trust Company Limited open.

My name is Bruce Corlett and I am privileged to be the Chairman of Trust. On behalf of the Trust Board, I welcome you to this morning's meeting.

Unfortunately, John Macarthur-Stanham, your Vice Chairman is unable to attend today's AGM as he is currently in hospital. He sends his apologies.

Allow me to introduce the Trust Board of Directors present, starting from your left:

- Jonathan Sweeney, your Managing Director;
- Warren McLeland;
- James King; and
- Roger Davis.

I would also like to introduce our Company Secretary, Geoff Corderoy.

Before I deal with the business of the meeting, it is entirely appropriate that I comment on one extremely important matter. Yesterday was a momentous day at Trust when our Managing Director, Jonathan Sweeney, announced his intention to resign.

The Board has accepted Jonathan's decision with regret but understands that in his mid-40's, if he is to look for a new direction, then the right time is now.

We are very pleased that Jonathan has offered to continue as Managing Director until his successor has been appointed and assumes his or her responsibilities. The recruitment process is being led by the Board with the support of executive search firm Spencer Stuart.

We expect the assignment to be completed by the end of this year. Both internal and external candidates are being considered.

The \$275 million fiduciary services market leader that is Trust today bears little resemblance to the small family-run organisation that Jonathan joined in 1991. Major milestones for Trust during his term as Managing Director have included the merger with Permanent in 2002, the creation and sale of the successful securitisation joint venture with BNY Mellon, and our expansion into Hong Kong and Singapore. Under his leadership, Trust's Total Shareholder Returns have grown by approximately 20 per cent p.a., a truly remarkable achievement.

One of the key tasks of a Managing Director is to recruit a strong management team and Trust is fortunate to have a leadership group of exceptional quality to support the new Managing Director when that person is appointed.

Thanks to Jonathan's offer to stay on to ensure a seamless handover, there will be no discernible effect on the day-to-day operations of Trust during the process of succession.

We thank Jonathan for his immense contribution to the growth and success of the Company during his tenure. He leaves a legacy that will endure for long into the future. He goes with the best wishes of all in the Trust family.

I would like to note the departure of Bill Forrest who retired from the Board as a non-executive director on 29 February this year due to his expected absences overseas in the future. During his four and a half years of service, Bill was particularly active in the development of our philanthropic strategy and as an adviser and leader to our Melbourne office. On behalf of the Board, I thank him for his contributions.

Items 2 and 3 on the Notice of Meeting deal with John and Warren's re-election as Directors. More comprehensive details are set out in the Notice of Meeting. Both John and Warren have made significant contributions during their years of service to your company and I value their advice and wisdom. Their re-election is unanimously endorsed by me and my fellow Directors.

Our Executive General Managers are also here today and I would like to introduce them to you.

- Vicki Allen, Executive General Manager, Institutional Services
- David Grbin, Executive General Manager, Finance, Legal, Risk and IT
- Eugene Quass, Executive General Manager, Financial Services.

Eugene joined us at the end of February. He has more than 15 years experience in Financial Services, having worked in trustee, advice, platform and distribution businesses. We are delighted to welcome him to Trust and anticipate his leadership and ideas will secure a strong future for our Financial Services business.

We appointed David Grbin to the Executive Team on 1 July this year following the resignation of our Chief Financial Officer, Ian Nicol, in February. Ian left Trust after making some important contributions during his seven years of service and we wish him all the best in his future career.

David and I have previously worked together for over 10 years when he was CFO at Adsteam Marine Ltd. He is an outstanding practitioner. We are fortunate to have him join us. After working with Trust for nearly four months as a consultant before his appointment to our Executive Team, David has already been instrumental in a number of key initiatives.

I propose that the Notice convening the Annual General meeting be taken as read.

All those in favour, please raise your blue coloured ballot paper.

Those against?

I declare the motion carried.

### **Financial Performance**

I would now like to say a few words about the last financial year and comment briefly on the outlook for the current financial year.

We are pleased to advise that Trust had another strong financial year. Our underlying financial performance, measured by ongoing operating earnings before interest, tax, depreciation and amortisation, rose 18%. This exceeded the market guidance given at our last Annual General Meeting of growth of not less than 15%. We are particularly pleased with our result given the difficult market conditions experienced in the second half of the financial year.

Our reported net profit after tax was \$20.3 million.

As a result of Trust's strong operating performance, we were pleased to reward our shareholders with an ordinary fully franked dividend of 30 cents per share. Including the interim dividend of 24 cents per share paid in November 2007, this takes the total for the financial year to 54 cents per share, up from 44 cents the previous year – an increase of 23%.

A few of our highlights throughout the last financial year included:

- 12% increase in operating revenue to \$61.5 million
- 24% increase in net operating profit after tax to \$16.1 million. This excludes other income and significant items of \$4.2 million
- Effective cost control overall, with ongoing operating expenses up 10%, coming in less than the 12% revenue growth
- A debt-free balance sheet with over \$60 million in liquid investments at current prices
- Over \$120 billion in total Assets Under Supervision

The 2008 result is pleasing given the changes in market conditions we saw in the second half of the financial year. Over half of our operating revenue comprises annuity-style income streams that are less affected by movements in asset values. This has enabled us to deliver a relatively robust financial performance at a time when others in the market are reporting significant cuts in expected profitability.

In our Institutional Services division, we have maintained a leadership position in several markets, with pleasing growth in our Responsible Entity offering. With the backdrop of declining investment markets and the consequent scrutiny on business models and performance, our role as an independent fiduciary is being increasingly sought out.

In our Financial Services division, Trust's suite of services – covering wealth transfer planning, philanthropic services, health and personal injury services and estate management – will remain in demand by an ageing and increasingly wealthy and financially sophisticated population.

On 13 June 2008, we announced the completion of the sale of our 50 per cent interest in the BNYTA joint venture to the Bank of New York Mellon for \$39.2 million. The sale generated an after tax accounting profit of around \$14 million which will be reflected in our 2009 results.

This sale resulted in payment of a special dividend to shareholders during July 2008 of \$1.00 per share, franked to 70%.

Having announced on 14 March this year that we were in preliminary merger talks with Equity Trustees, on 23 May we announced their termination. This was before any detailed due diligence was conducted. We continue to be alert to opportunities to play a leading role in industry consolidation where it is in the best interests of shareholders, building on the

success of our merger with Permanent in 2002. The recent fall in the equity markets has strengthened Trust's position in this regard.

Trust has been disciplined in assessing opportunities to date and the fall in the equity markets has vindicated our view that opportunities over the last 5 years were not appropriately valued. Given the current climate, we are starting to see a number of possible acquisition opportunities at prices that make more sense to us.

### **Financial outlook**

When Trust announced its result for the 2008 fiscal year on 28 April 2008, we stated that, based on equity and financial market conditions at that time continuing throughout FY09, ongoing operating EBITDA for FY09 was expected to be similar to the \$20.3 million achieved in FY08.

Notwithstanding significantly deteriorating market conditions since the end of April, ongoing operating EBITDA for the first four months of FY09 to the end of June has been generally in line with expectations. However, as shareholders would be well aware, market conditions have deteriorated significantly over recent months with the ASX200 falling by over 11% since the end of April. Should these conditions persist for the balance of our fiscal year to end Feb 09, ongoing operating EBITDA could be some 5 to 10% lower than the ongoing operating EBITDA of \$20.3m reported for FY08.

This operating earnings outlook excludes approximately \$14 million of after tax profit from the sale of Trust's 50% interest in BNYTA, any benefits or costs associated with major technology enhancements and the costs associated with the terminated Equity Trustees merger discussions

Trust is well-positioned to weather these tougher conditions, with a robust business model, a strong balance sheet, no debt, liquid assets currently exceeding \$60m and with over 50% of operating revenue comprised of annuity style income streams. In many respects, Trust is better placed than many of its peers in the sector to manage the current downturn in the business cycle.

In respect of dividends, it is the Trust Board's intention to pay out not less than 90% of operating NPAT (plus investment income) in ordinary dividends to shareholders for FY09. The final FY08 ordinary dividend represented a payout ratio of approximately 90% of operating NPAT plus investment income. With the recent sale of our 50% share in the BNYTA joint venture, Trust will no longer have the benefit of the 50% share of BNYTA earnings, and shareholders have recently received the full after tax sale proceeds of \$32m as a special dividend leaving Trust

with less capital to invest. These factors, combined with current volatility in investment markets, are likely to result in lower dividends for FY09 than were paid in respect of FY08.

As a part of Trust's ongoing capital management plan, the Board has resolved to commence a Dividend Reinvestment Plan for the 2009 financial year interim dividend, subject to settling the plan rules and lodging the appropriate documentation with the ASX. This will enable shareholders to increase their investment in Trust and to further strengthen the Company's ability to take advantage of acquisition opportunities that might emerge in the current volatile market. We do not propose that the Dividend Reinvestment Plan will be underwritten.

I would like to take this opportunity to thank Trust staff and the Board for their dedication and hard work in transforming our company into what it is today.

**ENDS**