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Trust Company Limited (ASX: TRU) expects operating EBITDA in a range of \$13 million to \$16 million in the current year ending February 2010. How are you tracking against this guidance?

**MD & CEO John Atkin**

Trading conditions since the start of FY10 have been mixed. We've experienced lower commissions in our traditional estate management business even though investment markets have performed above our expectations. However, we continue to maintain our tight cost control regime.

We expect earnings to remain within the guidance we announced in April 2009, as long as investment markets remain stable. We'll be in a better position to provide updated guidance for the full year in October when we announce our half-year results and outcome of the strategic review.

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Given the share market has improved over the past few months, why are you expecting a lower EBITDA this year as opposed to last year?

**MD & CEO John Atkin**

The share market has improved over the past few months but it remains significantly behind where it was 12 months ago. You need to look at the year-on-year averages. We forecast the average level of the ASX200 index to the year ending February 2010 to be significantly lower compared to the average level for

the year ending February 2009, (approximately 4,650), remembering that the most significant decline in the Australian market occurred from August 2008 onwards. For this reason, we're expecting a lower EBITDA this year as opposed to last year.

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You also expect reported NPAT in FY10 to be in the range of \$9 million to \$12 million, including net significant expenses of between \$0.5 million and \$1 million, primarily relating to technology transformation (Program Ben). What is the progress of Program Ben and when do you expect to see the benefits of this transformation?

**MD & CEO John Atkin**

We've made good progress on Program Ben. Our entire will bank and property custody businesses are now online. Both of those initiatives have significantly enhanced our service standards and reduced our operating expenses. In the last four months, our focus has been on understanding our existing business model and sorting out our processes and internal organisation. For that reason, we've put some elements of the technology project on hold such as the upgrading of our central trust accounting system. This is now pending the business review, confirmation of the corporate strategy and simplification of our business processes. The expenses both of the technology changes and strategic work are well within the assumptions we made that underpin our market guidance.

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To what extent have there been any pricing pressures in relation to management fees?

**MD & CEO John Atkin**

We haven't experienced pricing pressures in the current environment. The main focus has been on delivery and quality of service rather than on price. If anything, there has been a greater appreciation and acceptance of the value that an independent trustee company can deliver.

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One of the first changes you made when you started as Trust's MD was to restructure the management team. What was the strategic rationale for the change in management structure and have you seen any benefits to date?

**MD & CEO John Atkin**

We made that change starting with appointing Vicki Allen as Chief Operating Officer. The thinking behind Vicki's appointment to lead all our business lines was firstly, so we could organise ourselves to maximise our internal efficiencies and the quality of delivery to our clients, and secondly, to explore the opportunities of leveraging our services across our client base through better cross selling. We're in the process of implementing a further reorganisation of the business to bring greater alignment of our operations internally consistent with those objectives.

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You've initiated a strategic review of Trust's culture, brand and strategy. What do you perceive as the benefits of the strategic review for the future of Trust?

**MD & CEO John Atkin**

The continued success of our business indicates the worth of being an independent trust company. The whole wealth management sector has undergone significant growth over the last 20 years but the structure of the sector is being tested by the global financial crisis and the resultant volatility in investment markets with the consequent impact on peoples' superannuation and retirement savings.

Given these developments and our new management team, following 30 years of Sweeney family stewardship, we think it is exactly the right time to carry out a fundamental review of our business model and strategy.

We're developing different scenarios for the company's future and testing the ones we believe will deliver maximum value for our stakeholders. Our aim is to develop a vision for the company that aligns the aspirations of all our stakeholders.

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Will there be any one-off costs as a result of the strategic review?

**MD & CEO John Atkin**

There are clearly some costs associated in carrying out the review. We've tried to limit them as much as we can by conducting most of the work internally. However, we are getting focused support from a small number of external consultants. That's all covered in our market guidance.

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Irregularities in the Townsville office accounts were announced in November 2008 and there was a current receivable of \$8.3 million at the end of February 2009 relating to Townsville. When do you expect the problem at the Townsville office to be resolved and what will be the cash flow impact?

**MD & CEO John Atkin**

We've made excellent progress in resolving the issues in Townsville. Our insurer made an initial payment of \$5.1 million in June. We're in the process of agreeing the interest payments due to our clients, together with the insurer. We expect, as the forensic investigation is completed, that further progress payments will be made. These, together with the \$5.1 million already received, will offset the current receivable of \$8.3 million. Accordingly, the overall effect of the recovery in this financial year from the insurer will be a positive impact on our cash flow.

Consistent with the guidance we gave, we anticipate it will all be resolved this financial year and again, any one off costs that are not recoverable under our insurance are within the provisions we made at the time we gave guidance.

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Trust established a presence in Singapore in 2006 to offer Institutional Services products to the Asian market. Does the strategic rationale for being in Asia remain valid?

**MD & CEO John Atkin**

Trading conditions in Singapore at the moment are difficult, because it's very exposed to the flows in the world economy, with over 60 percent of Singapore's GDP reflected in exports. Having said that, Singapore is well positioned as a regional financial centre in the longer term and Andrew Cannane, our Chief Executive Officer in Singapore has done an excellent job in positioning us as a service provider for that sector. We're seeing steady improvement in operational results which are running ahead of budget. The strategic rationale for being in Asia remains valid.

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Excluding approximately \$20 million attributable to your investment in Equity Trustees Limited (EQT), Trust had liquid assets of approximately \$33 million and no debt as at the end of February 2009. What is the scope for growth in terms of acquisitions for Trust?

**MD & CEO John Atkin**

We have scope for growth in terms of acquisitions but will only pursue acquisitions that are consistent with our strategy and will create value for our stake holders.

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Your dividend policy has been adjusted recently to target 100 percent of reported NPAT for FY10. Given the linkage to reported profit, dividend payments therefore become vulnerable to events beyond your control such as a price decrease of EQT or TPX. If this happens, would it impact your ability to pay dividends?

**MD & CEO John Atkin**

We believe our holding in EQT will return good value to our shareholders in the longer term, and we're confident of this. However, your observation that our dividend payments are vulnerable to events beyond our control is right. As we paid a high special dividend in FY09, we do not have a buffer of retained earnings that would let us absorb an external shock such as a price decrease of EQT or TPX. Therefore, such a decrease may impact our ability to pay dividends.

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After tax impairment charges on Tasmanian Perpetual Trustees (TPX) were \$3.6 million for the full year ending February 2009. TPX announced in October 2008 that it had proposed to merge with MyState Financial Credit Union of Tasmania Limited (MSF) to create a leading Tasmanian based diversified financial services group. What's your view of the current merger proposal and what are your intentions in regards to your investment in TPX?

**MD & CEO John Atkin**

We received the scheme booklet recently, and are actively reviewing it to understand the rationale for the merger. At this stage, we remain to be convinced that the merger will deliver appropriate value to TPX shareholders.

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Thank you John.

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For further information on Trust please visit [www.trust.com.au](http://www.trust.com.au) or call John Atkin on (02) 8295 8100.

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