

**Attention ASX Company Announcements Platform  
Lodgement of Open Briefing®**



Trust Company Limited  
35 Clarence Street  
Sydney, NSW 2000

ABN 59 004 027 749

---



**corporatefile.com.au**

**Date of lodgement:** 14-Oct-2009

**Title:** Open Briefing®. Trust Co. 1H10 Results & Update

**Record of interview:**

**corporatefile.com.au**

Trust Company Limited (ASX: TRU) today reported NPAT of \$5.6 million for the first half ended August 2009. You expect NPAT to be in the range of \$10 million to \$11 million for the full year ending February 2010, implying second-half NPAT of \$4.4 million to \$5.4 million. What assumptions underlie your second-half NPAT expectation and what factors might push earnings to the top or bottom of the range?

**MD & CEO John Atkin**

While investment markets have recovered significantly since March, market conditions are still volatile. Our guidance is based on current equity and financial market conditions persisting for the balance of FY10 with an assumed average ASX200 level of not less than 4000. We've realised some profits from the sale of a significant portion of our non-strategic equity portfolio, however we expect this to be offset, or exceeded, by provisions for uninsured expenses from the Townsville fraud and the transformation costs coming out of the strategic review process. With these factors in mind, we are expecting reported NPAT for FY10 to be in the middle part of the range announced in April.

**corporatefile.com.au**

Operating EBITDA was \$7.4 million for the first half of FY10 down from \$10 million from the previous corresponding period, with a \$2.7 million fall in market-linked management fee income partly offset by increased income from Estates and Trusts commissions and Responsible Entity (RE) fees as well as cost cuts. Given the significant recovery in the market in recent months, what is the outlook for these factors over the remainder of the year?

**MD & CEO John Atkin**

Given that 60 percent of our revenues are market-linked, we are expecting some benefit from the recent lift in the market in our operating EBITDA result for FY10. We will continue to keep tight control on our operating costs and, assuming that market conditions remain stable, we are expecting our FY10 operating EBITDA to be towards the upper end of the guidance range we gave in April.

**corporatefile.com.au**

Is there scope for further cost cuts within the business? To what extent is the current cost base scalable as market conditions improve and the business grows?

**MD & CEO John Atkin**

Over the last 18 months we've taken around \$3.2 million per annum of costs out of the business but there's scope for some further cuts. At the moment, our focus is on simplifying our processes and making sure we've got the right controls in place. Our challenge is to improve our systems and use technology to scale them up. In the longer term there's significant scope for scalability in areas such as our Custody business and our Estate Administration business. Other areas, such as the RE business, aren't inherently scaleable because of the nature of the roles we discharge.

**corporatefile.com.au**

New business revenue from the RE area within your Corporate Services business was \$0.7 million reflecting significant mandate wins. What have been the drivers of your success in this area and is the performance sustainable?

**MD & CEO John Atkin**

As we flagged in April, we've been picking up significant new work in the RE area as a result of the distress in the Managed Investment Scheme sector. For example, we picked up three significant RE mandates: Alternative Investment Trust, Australia Wholesale Property Fund; and Max Trust which are now all under our trusteeship. In each case, we're working very constructively with the respective professional manager, Laxey Partners, Arcadia Funds Management and Threadneedle International, to significantly enhance the returns and investment position for investors in those funds.

We're seeing continuing demand for independent RE services, both for existing trusts and for newly formed funds. We think it's likely this area will be the subject of regulatory review given recent high profile cases of conflict of interest. In a way, the market is already voting with its feet in terms of the premium funds are prepared to pay for the benefit of having an independent trustee.

**corporatefile.com.au**

With liquid assets of \$52.4 million and no debt as at the end of August 2009, what is your strategy in terms of acquisitions for Trust?

**MD & CEO John Atkin**

We don't have a particular strategy in relation to acquisitions. Having clarified our vision, our main task now is developing a program of works to achieve that vision

over the next few years. We've clearly flagged that we've got a lot of work to do in building our capabilities and this will be our primary focus.

Also the regulatory capital requirements for our business could be increased, so we may need to preserve capital for that purpose. Nevertheless, if there are portfolio or business acquisitions that are complementary to our business model and strategy, we'll certainly look at them.

**corporatefile.com.au**

Your vision is for Trust to be Australia's pre-eminent trustee, delivering consistent and sustainable returns to shareholders. If your focus is going to be as a trustee, where do you see the growth?

**MD & CEO John Atkin**

We see strong growth opportunities in both Personal and Corporate Services. We have an aging population, so caring for the aged and their financial affairs and assisting people with inter-generational wealth transfer create opportunities in Personal Services which will significantly increase over the next 20 to 30 years.

With all of the reviews that are underway into managed investment schemes, we anticipate significant regulatory reform and we're already seeing increasing commercial demand for independent trustee services. So on the Corporate Services side we see significant future growth as well.

**corporatefile.com.au**

Given the trustee income model is inherently subject to market movements, how can you be confident of delivering consistent and sustainable returns?

**MD & CEO John Atkin**

There are aspects of our business that are subject to market movements; however 40 percent of our income is insulated from asset value volatility and we anticipate that will increase over time. There's also a natural off-set between our two businesses. Corporate Services is undergoing significant growth at the moment and the turmoil in the market and the premium on greater certainty and transparency which we provide is actually seeing growth in our business at a time when the decline in investment markets has had some impact on Personal Services. So one of the benefits we see in pursuing both the personal and the corporate trustee lines is this natural offset between the two of them. Over time we think we'll be able to increase the scale of our Personal Services division.

**corporatefile.com.au**

How does your new positioning of your Corporate and Personal Services businesses differ from the past and what are the expected benefits?

**MD & CEO John Atkin**

In a way you might say that it doesn't differ so much and we've just changed the labels: Institutional has become Corporate and Financial has become Personal. Internally, there's much more emphasis on running the businesses as one. Vicki Allen has done a great job as Chief Operating Officer looking for opportunities to leverage capabilities and clients from one area to the other. I think the big benefit of the work we've done over the last six months on clarifying our vision and

actually looking at our current business model in some detail, is to get really clear about where we are and where we want to be. Over time, implementing with that clarity will strengthen both businesses.

**corporatefile.com.au**

The timeline for your strategic plan suggests your focus in the current year will remain on transforming and refining the business model, with growth becoming a greater focus in the following years. What are the growth opportunities for the business?

**MD & CEO John Atkin**

We anticipate that demand for RE services will continue to grow in Australia and we are looking at opportunities through our Singapore business. In terms of our Property and Infrastructure Custody business, the challenge is for us to maintain our market leading position in property and infrastructure assets. There is also an opportunity to grow that business through alternative asset classes and that's something we're exploring at the moment.

**corporatefile.com.au**

You've announced a fully franked final dividend of 17.2 cents per share. What is the outlook for dividends in the current year and what will be your dividend policy going forward?

**MD & CEO John Atkin**

Our goal is to deliver consistent and sustainable returns for our shareholders. Our dividend policy going forward is subject to review. It will depend very much on our capital policy and that in turn on the final regulatory framework that is set for trustees under the new Commonwealth legislation and our supervision by ASIC. We announced in April that we would be reviewing our capital and dividend policy as part of the strategic review and we won't be finalising it until after the regulatory settings are clearer. However, we are mindful of the reliance shareholders place on their dividend flow.

In the interim, as we announced in April, we will pay out 100 percent of reported NPAT for this financial year and that will remain true for the final dividend.

**corporatefile.com.au**

Post Hong Kong, what are your plans in relation to Singapore?

**MD & CEO John Atkin**

We've been successful in establishing our brand and presence in Singapore and have a strong commitment to developing our opportunities in Asia. In spite of challenging market conditions, we're experiencing steady growth in a range of services which is steadily boosting the revenue line, although we're still well short of breakeven. Singapore is playing an increasing role as a representative office sourcing business opportunities into Australia, as well as selling our independent RE services into the region. The long term growth prospects for the Asian region, with Singapore as the financial centre, remain very strong.

**corporatefile.com.au**

John, you've been in the job for eight months now, how would you assess your progress and how do you describe your immediate challenges?

**MD & CEO John Atkin**

The Executive Team has done a good job with the strategic review over the last six months. We have a much better understanding of our business, its capabilities and the competitive landscape, and I'm very pleased with the development of the vision for the company. In the meantime, our staff have done a great job in continuing with business in what have been challenging conditions.

The outcome of the strategic planning, when I talked about it back in April, was to develop a vision for the company that aligned the aspirations of all stakeholders. I'm confident we've done that and we look forward to discussing the vision with our shareholders, our staff and our clients. We've got a lot of work ahead of us actually developing the program of works that will turn that vision into reality. The success of our strategy will be in the quality of its execution and, given the nature of our business, it will take us some years to realise fully its undoubted potential.

**corporatefile.com.au**

Thank you John.

---

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

To read other Open Briefings, or to receive future Open Briefings by email, please visit [www.corporatefile.com.au](http://www.corporatefile.com.au).

**DISCLAIMER:** Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.