13 October 2010

THE TRUST COMPANY ANNOUNCES STEADY INTERIM DIVIDEND AND CONFIRMS GUIDANCE FOR THE FULL YEAR

The Trust Company Limited (ASX: TRU) today announced an interim dividend of 17.0 cents per share (100% franked) and confirmed its financial guidance for the full year.

Operating revenue of $27.2 million for the six months to 31 August 2010 (1H11) was up 3% on the prior corresponding period (pcp). However, operating earnings before interest, tax, depreciation and amortisation (EBITDA) for the half year of $7.3 million was down 2% on pcp reflecting a significant investment in staff (salary increases following last year's freeze, senior recruitment, training and development).

Reported net profit after tax (NPAT) was $5.5 million for the half year, down 2% from 1H10. Operating NPAT for the period was $6.1 million, up marginally from $6.0 million on pcp. Significant items of $0.8 million reflect continued transition costs (principally relating to the brand relaunch and new visual identity) and legacy project costs.

The Trust Company's revenues are sensitive to the overall level of the equity market. The average level of the ASX200 index increased 19% in the first half of this year compared to the first half last year. However, the average level of the index was lower than the Company had assumed when giving guidance in April 2010.

Chief Executive Officer John Atkin said, "Although financial markets have not recovered as strongly as many expected at the start of the financial year, our focus on internal performance improvement is starting to yield results. We have delivered a solid half year result and confirm our financial guidance for the full year."

"Our emphasis remains on managing for performance while positioning for growth. In June, we successfully relaunched our brand and new visual identity. We have also increased our market advocacy. At the same time, we have strengthened our internal management with the implementation of a company-wide performance framework and we are close to finalising a number of legacy issues including matters flowing from the fraud discovered in our Townsville office in late 2008."

Update on strategy

Commenting on progress in implementing The Trust Company's strategic plan, John Atkin said, "The work we did defining our Company strategy last year and translating that into our vision and strategic goals has provided a clear direction for delivering results that meet the aspirations of all our stakeholders. Our brand relaunch has been very well received both internally and externally. We have placed a lot of focus on the development of our people with the rollout of a new performance framework supported by appropriate leadership and development support. We are making good progress in better understanding and serving our clients. However, our work around systems, processes and technology has lagged primarily because we have deliberately given priority to completing the legacy projects."

Mr Atkin spoke of the significant growth opportunities that exist for both the Corporate and Personal Services businesses. However, the two businesses present quite differently. The Corporate Services business is well positioned to capitalise on a number of immediate growth opportunities. While the longer term drivers for the Personal Services business are very strong, it is a much more complex business reflecting its long and diverse history. (The Trust Company is the successor to the personal trust businesses of Burns Philp Trustee Company, Permanent Trustee

Company as well as its own business which historically traded as Union Fidelity Trustee Company.) Realising the potential of the Personal Services business will therefore require further investment in our people as well as an upgrade of our processes, systems and technology. He reiterated the importance of pacing this investment to achieve the Company's longer term potential while maintaining consistent growth in shareholder dividends.

Outlook

In April 2010, The Trust Company stated its Operating EBITDA for FY11 was expected to be in the range of $15.7 million to $18.7 million ($15.7 million pcp) with Reported NPAT expected to be in the range of $11.5 million to $13.7 million ($10.9 million pcp). While the first half FY11 performance is slightly below last year, we expect a stronger second half primarily due to increased Corporate Services revenue. On that basis, the Company confirms this guidance notwithstanding investment markets being somewhat weaker than had been assumed back in April.

Subject to equity and financial markets remaining stable for the balance of FY11, The Trust Company expects operating EBITDA to be well within guidance and reported NPAT to be towards the middle part of the range given in April.

The Trust Company is continuing to target a dividend payout of 100% of reported net profit after tax (fully franked) for FY11. However, as previously noted, the Company intends to review that policy as part of a general review of its regulatory capital requirements. ASIC has recently released a Consultation Paper on capital requirements for Responsible Entities and we expect that consultation process will take some time to complete. A final determination of our regulatory capital requirements is also dependant on passing of enabling legislation by the Australian Parliament to facilitate the rationalisation of a number of licences and funds following the commencement of federal legislation governing trustee companies in May 2010.

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