

**THE TRUST COMPANY LIMITED**

**ACN 004 027 749**

**FINANCIAL REPORT**

**APPENDIX 4D**

**FOR THE HALF YEAR ENDED 31 AUGUST 2012**

# THE TRUST COMPANY LIMITED

## ASX Appendix 4D

### Results for announcement to the market

#### (i) Changes from the half year ended 31 August 2011 to the half year ended 31 August 2012.

	31-Aug-12 \$'000	Movement	
Total revenue from continuing operations	42,700	up	4%
Profit attributable to members of the parent entity	4,056	down	36%

#### (ii) Net tangible asset per security

	31-Aug-12 \$	28-Feb-12 \$
Net tangible asset per security	1.40	1.34

#### (iii) Dividend information

	Cents per share
Final dividend (paid on 24 May 2012 - fully franked)	18.0
Interim dividend (record date 23 October 2012, payable on 8 November 2012 - fully franked)	12.0
<b>Total</b>	<b>30.0</b>

The dividend reinvestment plan has been suspended for the 2013 interim dividend.  
See Note 7 to the financial statements for further details of dividends paid and payable.

#### (iv) Details of entities over which control has been gained or lost

Entities over which control has been lost during the half year ended 31 August 2012:

**Name:** Real Estate Capital Partners Managed Investments Limited  
**Date:** 18 July 2012

There was no gain of control of any entities during the half year ended 31 August 2012.

#### (v) Details of associates and joint venture entities

There was no investment in associates or joint ventures during the financial half year.

#### (vi) Compliance statement

This report is based on the consolidated half year financial report which has been subject to a review by the auditors.

## THE TRUST COMPANY LIMITED

### Directors' report

The Directors of The Trust Company Limited ("The Trust Company" or the "Company") submit herewith the financial report of the Company and its controlled entities (the "Group") for the half year ended 31 August 2012. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half year are:

Bruce Corlett (Chairman, Non-Executive Director)  
John Atkin (Chief Executive Officer)  
John Macarthur-Stanham (Vice Chairman, Non-Executive Director)  
Roger Davis (Non-Executive Director)  
James King (Non-Executive Director)  
Warren McLeland (Non-Executive Director)  
Josephine Sukkar (Non-Executive Director)

### Principal activities

The Trust Company is one of the region's foremost trustee companies, offering services for individuals, companies and charitable trusts.

Across the Group we provide wide-ranging advice and expertise in Personal Client Services including Estate Planning and Administration, Executor Assist, Lifestyle Assist, Financial Planning, Personal Trusts, Charitable Trusts, Wealth Management and Health and Personal Injury services.

Our Corporate Client Services in Australia and Singapore include Responsible Entity, Property and Infrastructure Custody, Superannuation Compliance and Trustee, Structured Finance Trustee and REIT Trustee services. In New Zealand we offer trustee services for Debt Securities, Securitisation, Unit Trusts, Superannuation and KiwiSaver.

The Trust Company Group has almost \$1 billion in charitable funds under administration and we are currently serving as trustee for over 850 charitable trusts.

The Trust Company has offices in Australia, New Zealand and Singapore, with around 415 employees and a market capitalisation of approximately A\$171 million as at 31 August 2012.

### Consolidated results and review of operations

	31-Aug-12	31-Aug-11	% change
Net profit after tax (\$m)	4.1	6.4	-36%
Earnings per share (cents per share)	12.1	19.7	-39%
Dividends per share (cents per share)	12.0	17.0	-29%
Net assets (\$m)	115.1	110.7	4%
Cash (\$m)	15.3	14.8	4%
Borrowings (\$m)	9.9	12.5	-21%
Net tangible assets per share (\$)	1.4	1.3	8%

## THE TRUST COMPANY LIMITED

### Directors' report (cont'd)

#### Review of operations

The Trust Company (ASX: TRU), today announced a \$4.1 million Net Profit After Tax (NPAT) for its half year ended 31 August 2012 (1H13). This 36% decrease on the prior corresponding period (pcp), which had been previously foreshadowed, reflected the impact of a number of significant operating expense items incurred as a result of the ongoing transformation of the business and the settlement of a client claim.

Operating revenue of \$41.8 million for 1H13 was up 4% on pcp. Expenses for the period were 11% higher than 1H12 largely due to a client claim which has been resolved, redundancy costs from the Organisational Review, separation costs in New Zealand and continuing investment in the systems upgrade. Earnings before interest, tax, depreciation and amortisation (EBITDA) for 1H13 of \$6.6 million were down 20% on 1H12.

An interim dividend of 12 cents per share (fully franked) was declared, representing 100% of NPAT in line with our stated dividend policy.

Speaking of the 1H13 performance, Chief Executive Officer John Atkin said: "I recognise that the decrease in our dividends will be disappointing for shareholders, however I'm confident we are making progress in the transformation of the business and are now starting to build on the underlying momentum in some of our key service areas."

#### ***Corporate Clients maintains strong momentum***

The Corporate business is continuing to grow as a result of significant increases in transactional revenue as well as some high profile client wins. Reflecting the strong relationships with clients across Australia, New Zealand and Singapore, as well as high levels of client advocacy, 60% of new annuity revenue has come from existing clients.

The benefits of Corporate Client's shift to a Group management structure in August 2012 are already being realised with Australia, New Zealand and Singapore now reporting to David Grbin, Group Executive General Manager, Corporate Client Services. This structure will cater to the growing needs of an increasingly international client base and will enable us to build robust risk management and pricing systems to optimise the performance of the business.

"We were proud to be involved in the recent Ascendas Hospitality REIT IPO where we fulfilled multiple roles as the only regional trustee in the market today. This transaction has brought in considerable annuity revenue into the business and demonstrates Singapore's potential," said Mr Atkin.

#### ***Personal Clients remains a work in progress***

The Personal business continues its transformation and, as anticipated, given its complex nature is taking time to turn around.

Our Investment Management function has been significantly enhanced and we have experienced positive net flows in our major funds, which are all performing at or near the top of their peer group. At the same time our Engaged Philanthropy model has gained increasing recognition across the charitable and personal wealth sectors and we have seen \$20 million in new Philanthropy FUM in 1H13.

The increasing client focus and sales coaching is starting to show results in Australia with over 30 new relationships with professional firms developed over the year, largely driven by the new business development team.

Mr Atkin said "A key success of the period has been the restructure of Investment Management across Australia and New Zealand. Our Sleep At Night philosophy has been rolled out across the business providing bespoke vertically integrated services for all our Personal clients."

## THE TRUST COMPANY LIMITED

### Directors' report (cont'd)

#### Review of operations (cont'd)

The New Zealand Personal business is underperforming reflecting a number of factors, including the impact of regulatory changes and some separation costs. To address this a detailed review of profitability is currently being undertaken. "Guardian Trust is a solid business with a strong heritage and we remain confident of its potential," Mr Atkin said.

#### *Reinvesting in the business*

The systems upgrade is a critical enabler for the transformation and growth of the business and is progressing well. Significant progress has been made to assess potential vendors and determine our detailed requirements for all key aspects of our operations. We are now engaged in a detailed scoping and planning phase and will move to implementation in 2013.

#### Priorities and Outlook for FY13

The priorities of the management team in the second half of FY13 are to:

- Leverage the strength of our regional Corporate Clients under the leadership of David Grbin
- Continue to drive revenue growth in Personal Clients across Australia and New Zealand
- Undertake a detailed assessment of the profitability of Personal Clients with a view to significantly improving its cost to income ratio
- Finalise the detailed scoping and implementation plans for the systems upgrade to align with our strategic priorities.

We continue to be impacted by volatility in investment markets with every 1% movement in the ASX200 index estimated to have a corresponding effect on Group revenue of approximately \$150,000pa.

Personal Clients in Australia has underlying momentum and should improve in the second half. Disappointingly, our current assessment of the level of recovery of certain Corporate Client transactional fees in the second half will be lower than previously anticipated.

As a result, at current market levels we expect:

- At a Group level operating EBITDA for the second half will be broadly in line with normalised EBITDA\* for the first half of \$9.0 million
- The total dividend for the year is now expected to be in the range of 27-29cps, down on prior guidance of 35cps.

In closing Mr Atkin commented: "Our operating environment continues to be challenging however the fundamentals of our business remain strong. We remain committed to implementing our strategy and delivering sustainable growth in earnings to our shareholders."

\*Normalised EBITDA for 1H13 comprises operating EBITDA of \$6.6 million plus normalisation adjustments of \$2.4 million relating to a client claim and redundancy expense.

## THE TRUST COMPANY LIMITED

### Directors' report (cont'd)

#### Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

#### Auditor's independence declaration

The auditor's independence declaration is included on page 7.

#### Rounding

The Company is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' Report and in the half year financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



John Atkin  
Chief Executive Officer

Sydney, 9 October 2012

The Board of Directors  
The Trust Company Limited  
20 Bond Street  
SYDNEY NSW 2000

9 October 2012

Dear Board Members

**The Trust Company Limited**


In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Trust Company Limited.

As lead audit partner for the review of the financial statements of The Trust Company Limited for the financial half-year ended 31 August 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
Stuart Alexander  
Partner  
Chartered Accountants



## **Independent Auditor's Review Report to the members of The Trust Company Limited**

We have reviewed the accompanying half-year financial report of The Trust Company Limited, which comprises the condensed statement of financial position as at 31 August 2012, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 20.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of a half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 August 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Trust Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The Trust Company Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Trust Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 August 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Stuart Alexander  
Partner

Chartered Accountants  
Sydney, 9 October 2012

## THE TRUST COMPANY LIMITED


### Directors' declaration

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, consisting of a large, stylized 'J' and 'A' intertwined.

John Atkin  
Chief Executive Officer

Sydney, 9 October 2012

**THE TRUST COMPANY LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 AUGUST 2012**

	<b>Half year ended</b>	
	<b>31-Aug-12</b>	<b>31-Aug-11</b>
	<b>\$'000</b>	<b>\$'000</b>
Fee and commission income	<b>41,846</b>	40,001
Other income	<b>854</b>	1,205
	<b>42,700</b>	41,206
Employee benefit expense	<b>(23,562)</b>	(21,839)
Occupancy expenses	<b>(3,066)</b>	(2,395)
Transitional service agreement charges	<b>(437)</b>	(1,793)
Insurance expenses	<b>(1,119)</b>	(1,080)
Depreciation and amortisation expense	<b>(1,492)</b>	(1,038)
Professional fees	<b>(960)</b>	(468)
Consultancy expenses	<b>(1,359)</b>	(708)
Computer expenses	<b>(1,313)</b>	(594)
Marketing expenses	<b>(801)</b>	(488)
Financing expenses	<b>(304)</b>	(371)
Business transformation expenses	<b>-</b>	(534)
Other recoveries	<b>79</b>	976
Client claims	<b>(1,392)</b>	(83)
Other expenses	<b>(1,219)</b>	(1,892)
<b>Profit before income tax expense</b>	<b>5,755</b>	8,899
Income tax expense	<b>(1,699)</b>	(2,512)
<b>Profit attributable to members of the parent entity</b>	<b>4,056</b>	6,387
<b>Other comprehensive income/(expense)</b>		
Financial assets at fair value	<b>(1,492)</b>	(5,040)
Fair value movement on cash flow hedge	<b>-</b>	341
<b>Other comprehensive expense for the period (net of tax)</b>	<b>(1,492)</b>	(4,699)
<b>Total comprehensive income attributable to members of the parent entity</b>	<b>2,564</b>	1,688
<b>Earnings per share</b>		
Basic (cents per share)	<b>12.1</b>	19.7
Diluted (cents per share)	<b>12.1</b>	19.7

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

THE TRUST COMPANY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 AUGUST 2012

	Note	31-Aug-12 \$'000	29-Feb-12 \$'000
<b>Current assets</b>			
Cash and cash equivalents		15,329	17,656
Trade and other receivables	3	19,852	18,039
Assets classified as held for sale		2,766	-
<b>Total current assets</b>		<b>37,947</b>	<b>35,695</b>
<b>Non-current assets</b>			
Trade and other receivables		520	634
Other non-current financial assets		14,626	16,118
Indemnities receivable	5	4,522	5,564
Property, plant and equipment		12,194	14,576
Goodwill	4	58,997	60,568
Intangible assets		9,104	9,222
Deferred tax assets		3,445	3,570
<b>Total non-current assets</b>		<b>103,408</b>	<b>110,252</b>
<b>Total assets</b>		<b>141,355</b>	<b>145,947</b>
<b>Current liabilities</b>			
Trade and other payables		4,600	6,115
Provisions		4,709	4,884
Current tax liabilities		126	638
<b>Total current liabilities</b>		<b>9,435</b>	<b>11,637</b>
<b>Non-current liabilities</b>			
Borrowings	6	9,917	8,385
Provisions		2,373	2,426
Indemnities payable	5	4,522	5,564
<b>Total non-current liabilities</b>		<b>16,812</b>	<b>16,375</b>
<b>Total liabilities</b>		<b>26,247</b>	<b>28,012</b>
<b>Net assets</b>		<b>115,108</b>	<b>117,935</b>
<b>Equity</b>			
Issued capital		108,779	107,688
Investment revaluation reserve		(5,215)	(3,723)
Share-based payments reserve		1,689	2,089
Asset revaluation reserve		655	655
Foreign currency translation reserve		1,031	1,115
Retained earnings		8,169	10,111
<b>Total equity</b>		<b>115,108</b>	<b>117,935</b>
<b>Net tangible asset per share (\$)</b>		<b>1.40</b>	<b>1.34</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

THE TRUST COMPANY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 AUGUST 2012

	Issued capital \$'000	Investment revaluation reserve \$'000	Share-based payments reserve \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 March 2011</b>	<b>102,683</b>	<b>122</b>	<b>2,299</b>	<b>655</b>	<b>(341)</b>	<b>-</b>	<b>8,586</b>	<b>114,004</b>
Unrealised loss on investments	-	(5,040)	-	-	-	-	-	(5,040)
Fair value movement on cash flow hedge	-	-	-	-	487	-	-	487
Deferred tax liability on cash flow hedge	-	-	-	-	(146)	-	-	(146)
<b>Net expense recognised directly in equity</b>	<b>-</b>	<b>(5,040)</b>	<b>-</b>	<b>-</b>	<b>341</b>	<b>-</b>	<b>-</b>	<b>(4,699)</b>
Profit attributable to members of the parent entity	-	-	-	-	-	-	6,387	6,387
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(5,040)</b>	<b>-</b>	<b>-</b>	<b>341</b>	<b>-</b>	<b>6,387</b>	<b>1,688</b>
Treasury shares	246	-	(246)	-	-	-	-	-
Recognition of share-based payments	-	-	(32)	-	-	-	-	(32)
Issue of shares under employee share plan	225	-	(225)	-	-	-	259	259
Foreign currency movements	-	-	-	-	-	583	-	583
Dividends paid	-	-	-	-	-	-	(5,825)	(5,825)
<b>Balance at 31 August 2011</b>	<b>103,154</b>	<b>(4,918)</b>	<b>1,796</b>	<b>655</b>	<b>-</b>	<b>583</b>	<b>9,407</b>	<b>110,677</b>
<b>Balance at 1 March 2012</b>	<b>107,688</b>	<b>(3,723)</b>	<b>2,089</b>	<b>655</b>	<b>-</b>	<b>1,115</b>	<b>10,111</b>	<b>117,935</b>
Unrealised loss on investments	-	(1,492)	-	-	-	-	-	(1,492)
Deferred tax asset on revaluation of investments	-	-	-	-	-	-	-	-
<b>Net expense recognised directly in equity</b>	<b>-</b>	<b>(1,492)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,492)</b>
Profit attributable to members of the parent entity	-	-	-	-	-	-	4,056	4,056
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,492)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,056</b>	<b>2,564</b>
Recognition of share-based payments	-	-	380	-	-	-	-	380
Issue of shares under employee share plan	780	-	(780)	-	-	-	-	-
Issue of shares under dividend reinvestment plan	311	-	-	-	-	-	-	311
Foreign currency movements	-	-	-	-	-	(84)	-	(84)
Dividends paid	-	-	-	-	-	-	(5,998)	(5,998)
<b>Balance at 31 August 2012</b>	<b>108,779</b>	<b>(5,215)</b>	<b>1,689</b>	<b>655</b>	<b>-</b>	<b>1,031</b>	<b>8,169</b>	<b>115,108</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.



THE TRUST COMPANY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 AUGUST 2012

	Half year ended	
	31-Aug-12	31-Aug-11
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	44,561	43,679
Payments to suppliers and employees	(39,322)	(36,836)
Claim recoveries received	-	841
Financing expenses paid	(291)	(371)
Income tax paid	(1,988)	(3,094)
<b>Net cash provided by operating activities</b>	<b>2,960</b>	<b>4,219</b>
<b>Cash flows from investing activities</b>		
Payments on purchase of investments	-	(31,647)
Payments for property, plant and equipment	(1,850)	(3,519)
Dividends received	478	597
Interest received	251	699
<b>Net cash used in investing activities</b>	<b>(1,121)</b>	<b>(33,870)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from borrowings	2,500	12,500
Repayment of borrowings	(1,000)	-
Proceeds from issue of shares - employee share schemes	34	225
Dividends paid - members of the parent entity		
Ordinary dividends	(5,688)	(5,825)
<b>Net cash (used in)/provided by financing activities</b>	<b>(4,154)</b>	<b>6,900</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,315)</b>	<b>(22,751)</b>
<b>Cash and cash equivalents at the beginning of the financial half year</b>	<b>17,656</b>	<b>37,395</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(12)	107
<b>Cash and cash equivalents at the end of the financial half year</b>	<b>15,329</b>	<b>14,751</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

## THE TRUST COMPANY LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2012

#### 1. Significant accounting policies

##### Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the Group's financial report for the year ended 29 February 2012.

The Trust Company is a public company listed on the Australian Securities Exchange (code: TRU), incorporated in Australia and operating in Australia, New Zealand and Singapore.

The registered office of The Trust Company is: Level 15, 20 Bond Street, Sydney, NSW 2000.

##### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 29 February 2012.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the presentation of the financial statements.

At the date of authorisation of the financial report, all other relevant Standards and Interpretations that were in issue but not yet effective are not expected to have a material impact on the financial report of the Group. Management have not yet assessed which of these are likely to be relevant to the Group.

#### 2. Segment reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The accounting policies of the reportable segments are the same as the Group's accounting policies.

##### Product and services from which reportable segments derive their revenues

###### Corporate Client Services

Our Corporate Client Services in Australia and Singapore include Responsible Entity, Property and Infrastructure Custody, Superannuation Compliance and Trustee, Structured Finance Trustee and REIT Trustee services. In New Zealand we offer trustee services for Debt Securities, Securitisation, Unit Trusts, Superannuation and KiwiSaver.

###### Personal Client Services

Across the Group we provide wide-ranging advice and expertise in Personal Client Services including Estate Planning and Administration, Executor Assist, Lifestyle Assist, Financial Planning, Personal Trusts, Charitable Trusts, Wealth Management and Health and Personal Injury services.

The following is an analysis of the Group's revenue and profit by reportable segment:

# THE TRUST COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2012

### 2. Segment reporting (cont'd)

	Segment revenue		Segment profit	
	31-Aug-12	31-Aug-11	31-Aug-12	31-Aug-11
	\$'000	\$'000	\$'000	\$'000
Corporate Client Services	17,617	14,820	8,465	6,070
Personal Client Services	23,954	24,710	497	4,370
Unallocated fee and commission income	275	471	-	-
<b>Total</b>	<b>41,846</b>	<b>40,001</b>	<b>8,962</b>	<b>10,440</b>
Unallocated executive and legal expenses			(2,344)	(2,178)
Dividend income			537	597
Interest income			317	607
Interest expense			(304)	(370)
Depreciation and amortisation expense			(1,492)	(1,038)
Claim recoveries			79	841
<b>Profit before tax</b>			<b>5,755</b>	<b>8,899</b>
Income tax expense			(1,699)	(2,512)
<b>Profit after tax</b>			<b>4,056</b>	<b>6,387</b>

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents profit earned by each segment without allocation of executive and legal expenses, dividend income, net interest income, depreciation and amortisation expense, claim recoveries and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

No single customer accounts for 10% or more of the Group's revenue.

### Geographical information

The Company and its controlled entities operate in two principal geographical areas - Australia and New Zealand. The Singapore operation is not material.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	31-Aug-12	31-Aug-11	31-Aug-12	31-Aug-11
	\$'000	\$'000	\$'000	\$'000
Australia	28,766	25,920	63,109	64,626
New Zealand	13,080	14,081	36,854	31,981
	<b>41,846</b>	<b>40,001</b>	<b>99,963</b>	<b>96,607</b>

Non-current assets exclude financial instruments, deferred tax assets and post employment benefit assets.

# THE TRUST COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2012

### 3. Current trade and other receivables

#### Current

Trade receivables

Allowance for doubtful debts

Other receivables and prepayments

**Total current trade and other receivables**

31-Aug-12	29-Feb-12
\$'000	\$'000
15,090	15,743
(332)	(1,003)
14,758	14,740
5,094	3,299
19,852	18,039

### 4. Goodwill

#### Gross carrying amount and net book value

Balance at beginning of financial year

Additional amounts recognised from business combinations

Fair value adjustment to net assets acquired

Effects of foreign exchange rates during the year

**Balance at end of financial year**

31-Aug-12	29-Feb-12
\$'000	\$'000
60,568	39,218
-	20,838
(1,502)	-
(69)	512
58,997	60,568

#### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to four individual cash-generating units ('CGUs'). The carrying amount of goodwill in each of the CGUs are as follows:

Corporate Services - Australia

Personal Services - Australia

Corporate Services - New Zealand\*

Personal Services - New Zealand\*

The New Zealand Guardian Trust Company Limited

22,191	22,191
17,027	17,027
7,912	-
11,867	-
-	21,350
58,997	60,568

#### \* Net of foreign exchange movements

#### Impairment Testing - Australia

As there were no indicators of impairment of the goodwill attached to the Australian CGUs, impairment testing was not required for the current reporting period.

#### Impairment Testing - New Zealand

As a result of the finalisation of the acquisition accounting relating to the business combination in the previous period, the goodwill acquired has now been allocated to CGUs.

The recoverable amount has been determined on a consistent basis across the CGUs by using their value in use. The following assumptions have been applied across all the CGUs:

- The value in use is estimated by the net present value of future net cash flow projections to be realised from each of the CGUs over the next 5 years plus a terminal value.
- The pre-tax discount rate used is 16.33% (post-tax is 11.43%) as this would represent the pre-tax projected weighted average cost of capital.
- Net cash flows are projected for five years with average growth rates of 6% p.a. for Corporate Services and 6% p.a. for Personal Services (2012: 4% p.a. for Corporate Services and 4% p.a. for Personal Services).
- The terminal value is that set of net cash flows beyond that five year period and has been extrapolated using growth rates of 4% p.a. for Corporate Services and 4% for Personal Services (2012: 3% for Corporate Services and 3% for Personal Services).
- Projected cash flows do not include any allowances for future restructuring or enhancements to any assets.

**THE TRUST COMPANY LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 AUGUST 2012**

**5. Indemnities**

	<b>31-Aug-12</b>	<b>29-Feb-12</b>
	<b>\$'000</b>	<b>\$'000</b>
Indemnity receivable (i)	<b>4,522</b>	5,564
Indemnity payable (i)	<b>4,522</b>	5,564

(i) The indemnities receivable and payable relate to certain indemnity arrangements that have been agreed between The Trust Company and Suncorp Group New Zealand Limited. These indemnities relate to certain Group Investment Funds and certain Specified Client Matters, which were agreed as part of the acquisition of Guardian Trust by The Trust Company.

**6. Borrowings**

	<b>31-Aug-12</b>	<b>29-Feb-12</b>
	<b>\$'000</b>	<b>\$'000</b>
Loan facility (i)	<b>9,917</b>	8,385
	<b>9,917</b>	8,385

(i) On the 15th June 2011, a three year loan facility was entered into with a limit of \$15 million. As at 31 August 2012, \$10 million was drawn down.

**7. Dividends**

	<b>Half year ended</b>		<b>Half year ended</b>	
	<b>31-Aug-12</b>	<b>31-Aug-12</b>	<b>31-Aug-11</b>	<b>31-Aug-11</b>
	<b>Cents per</b>	<b>Total</b>	<b>Cents per</b>	<b>Total</b>
	<b>share</b>	<b>\$'000</b>	<b>share</b>	<b>\$'000</b>
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final dividend paid on 24 May 2012 (prior year 16 May 2011)				
Fully franked at 30% (prior year fully franked at 30%)	<b>18.0</b>	<b>5,998</b>	18.0	5,825
<b>Total dividends for the financial half year</b>	<b>18.0</b>	<b>5,998</b>	18.0	5,825
<b>Unrecognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Interim dividend to be paid on 8 November 2012 (prior year 14 December 2011)				
Fully franked at 30% (prior year fully franked at 30%)	<b>12.0</b>	<b>4,017</b>	17.0	5,509



# THE TRUST COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2012

### 8. Contingent liabilities and contingent assets

#### (a) Contingent liabilities

##### Aggregate contingent liabilities at the balance sheet date

##### comprised the following:

	31-Aug-12 \$'000	29-Feb-12 \$'000
Undertaking supporting the AFS licence requirements for subsidiaries	30,000	35,000
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of Australian Prudential Regulation Authority in relation to the provision of superannuation services	5,000	5,000
Bank guarantee issued in respect of the lease of premises at 20 Bond Street, Sydney	1,356	1,356
<b>Total contingent liabilities</b>	<b>37,356</b>	<b>42,356</b>

The Group, given the nature of its business, can receive claims for breach of duty from time to time. Where necessary, the Group has provided for potential litigation claims. The Group is not currently engaged in any litigation or claim in its personal capacity which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group which has not been provided for in the financial statements. Where some loss in the Group's personal capacity is probable and can be reliably estimated an appropriate provision has been made of the likely amount of each claim on an individual basis. The amount provided for each claim is reviewed by management regularly. Sufficient professional indemnity insurance cover is held to meet any potential liabilities that may arise.

The Group has provided indemnities to a number of related parties in respect of mortgage funds that it managed in New Zealand. All of the mortgage indemnities have back to back arrangements in place under which the Group is to recover certain losses from Suncorp Mortgage Company NZ Limited. The Group has entered into an agreement with Suncorp Group New Zealand Limited whereby the Group is indemnified in respect of certain client provisions.

As a consequence of the purchase of The New Zealand Guardian Trust Company Limited there are outstanding claims and circumstances which have not already been provided for which liability may arise with respect to controlled entities. The potential liability in respect of such matters is not capable of being quantified at 31 August 2012. In respect of these matters, the Group is investigating its contractual rights of recovery for any potential liability that may arise.

The Group has provided indemnities to the Guardian Mortgage Fund, GTFM Mortgage Fund and Asteron Life Limited in respect of mortgages held within the Guardian Mortgage Fund, the Guardian CashPlus Mortgage Units Fund and the GTFM Mortgage Fund. While best estimate provisions have been made at 31 August 2012 in respect of known losses, the likely impact of the indemnities is uncertain.

#### (b) Contingent assets

The Group has an admitted claim against FAI General Insurance Company Limited (in liquidation) of \$17.0 million. To date, 51.1 cents in the dollar (\$8.69m of the admitted \$17.0m) has been received in cash in financial years 2007, 2008, 2010, 2011 and 2012.

The scheme administrator has indicated that the estimate of total percentage payout is currently between 50 and 60 cents in the dollar but has not provided guidance as to timing of the payments.

The Trust Company has not recognised any receivable in the financial statements due to the uncertainty of timing and quantum of amounts to be received.

# THE TRUST COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2012

### 9. Business combinations

#### Subsidiaries acquired

Effective from 1 March 2011, the Company gained control of 100% of the equity in The New Zealand Guardian Trust Company Limited, a New Zealand based trustee business, for consideration of NZ\$42 million.

The New Zealand Guardian Trust Company Limited was acquired so as to continue the expansion of the Group's regional business activities.

Although control to govern the financial and operating policies of The New Zealand Guardian Trust Company Limited was achieved on 1 March 2011, legal ownership of The New Zealand Guardian Trust Company Limited did not transfer to the Company until 14 March 2011. This was due to a delay in receiving regulatory approval for the acquisition by a local New Zealand authority.

This acquisition was provisionally accounted for in the Company's 2012 financial statements and detailed information of the acquisition is obtained in the 2012 Annual Report. The Trust Company has now completed its purchase price allocation as follows.

#### Goodwill arising on acquisition

	NZD \$'000	AUD \$'000
Consideration transferred	42,000	31,632
Less: fair value of identifiable net assets acquired	(16,520)	(11,853)
Goodwill arising on acquisition	<b>25,480</b>	<b>19,779</b>
Allocated to the following cash generating units:		
Corporate Services	10,105	7,912
Personal Services	15,375	11,867
	<b>25,480</b>	<b>19,779</b>

Refer to Note 4 for analysis of goodwill impairment.

### 10. Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group.