

30 August 2012

Equity Trustees Audited Full Year Results and Final Dividend Profit Increase Despite Challenging Conditions

Equity Trustees Limited (ASX: EQT) today confirmed its full year financial results and final dividend, which are unchanged from the unaudited results announced on 27 July 2012.

Operating profit before tax and net profit after tax are both ahead of the prior year by 2%, summarised as follows:

	12 months to 30 June 2012	12 months to 30 June 2011	% Change
	\$m	\$m	
Operating revenue	43.0	39.2	10
Operating expenses	(31.9)	(28.4)	(13)
Operating profit before tax	11.1	10.8	2
Income tax expense	(3.1)	(3.0)	
Operating profit after tax	8.0	7.8	2
Non-operating items (net of tax)	0.4	0.4	
Net profit after tax	8.4	8.2	2
Earnings Per Share (cents)	96.74	97.01	
Dividend per share (full year, fully franked)	85c	100c	

Equity Trustees' Chairman, Mr Tony Killen, said the Group was pleased to exceed the prior year net profit after tax despite a continuation of difficult market conditions.

"Equity markets were volatile through much of the year and closed 11% lower at year end. This had an adverse impact on our revenue base. Despite this headwind, total revenue increased by 10%, 3% coming from organic growth and 7% from acquisitions. The balance sheet is debt-free."

Managing Director, Robin Burns added: "Although we have continued to achieve organic revenue gains we have also experienced pressure on margins, partly through competitive activity but also as a result of expenses associated with investment in our business. Both these factors were again evident in 2012. The expense growth is partly an outcome of the acquisitions we have made over recent years, and although both recent acquisitions have been earnings per share positive from day one each has added to our cost base.

"Having made a number of acquisitions over the years we now have an opportunity to pursue increased efficiency through a review of the design and structure of our administration services, systems and processes. Although this review will need some capex to release value we expect that it will provide material benefits in succeeding years. As a further step, we implemented a pay freeze this year across the entire company, in order to protect margins as much as possible in these difficult market conditions and restrain cost pressure."

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Mr Burns added: "On 1 August 2012 we implemented a further structural change. The Group will now operate two revenue business units. The Superannuation and Private Clients business units, including the aged care advisory business we acquired in August 2011, will now be combined to create a single new unit, Private Wealth Services, headed by Geoffroy Rimmer. This is a significant step in setting us up to successfully pursue our long-term strategic goals."

Mr Killen concluded by saying "The final Dividend of 45 cps takes total dividends for the year to 85cps, a payout ratio of 88%, at the upper end of our declared payout range of 70 – 90% of profits after tax."

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Equity Trustees Limited (EQT)

Full Year Results to 30 June 2012



Overview – FY2012



- Net profit after tax increased by 2%.
- All major business activities remain solidly profitable, and generated organic revenue growth.
- Interim dividend reinvestment plan shortfall underwritten to build up net tangible assets.
- Total dividend reduced to 85¢ per share (down from 100¢ per share) to match circumstances and to be close to upper end of target range.
- Business restructuring continuing to enhance efficiency and sharpen focus on private wealth as a sector.
- Private client, wealth management and superannuation activities consolidated into a single business unit – Private Wealth Services (PWS).
- Successful completion of acquisition and integration of EQT Aged Care Services – specialised and attractive niche.
- Initiated a project to examine all administration processes and IT platforms/systems to seek efficiency gains, simpler model and increased automation.
- Revenue growth and increase in profit despite continuing challenging conditions.
- Regular flow of acquisition opportunities for assessment.

Overview – group results

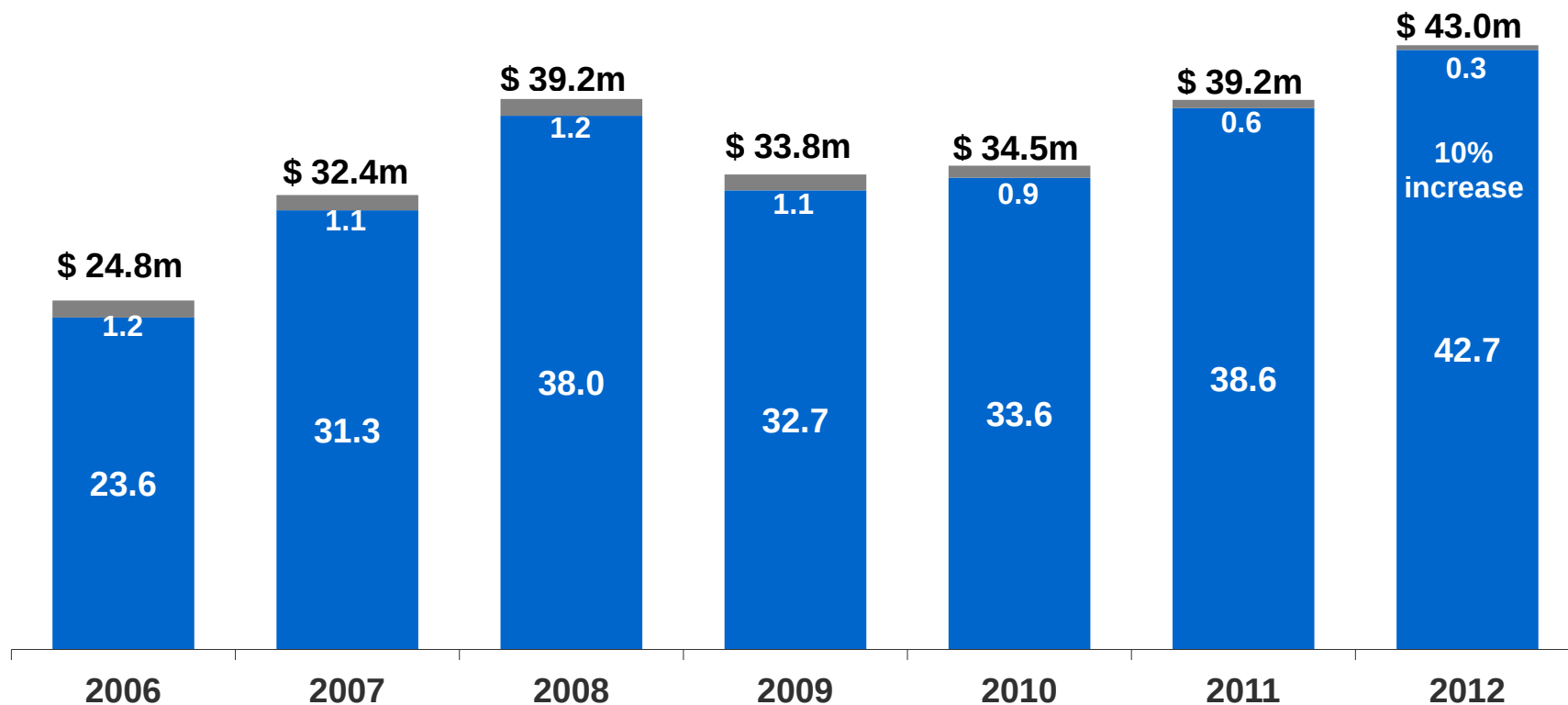


	2012 \$m	2011 \$m	Change
Operating revenue	43.0	39.2	10 %
Operating expenses	(31.9)	(28.4)	(13 %)
Operating profit before tax	11.1	10.8	2 %
Income tax expense	(3.1)	(3.0)	
Operating profit after tax	8.0	7.8	2 %
Non-operating items <i>(net of tax)</i>	0.4	0.4	
Net profit after tax	8.4	8.2	2 %
Earnings per share <i>(cents)</i>	96.74¢	97.01¢	
Dividend per share <i>(full-year, fully franked)</i>	85¢	100¢	
Operating margin <i>(pre-tax, excluding gains on the sale of investments, including non-recurring costs)</i>	25.6%	27.5%	

Revenue

Revenue increased 10%

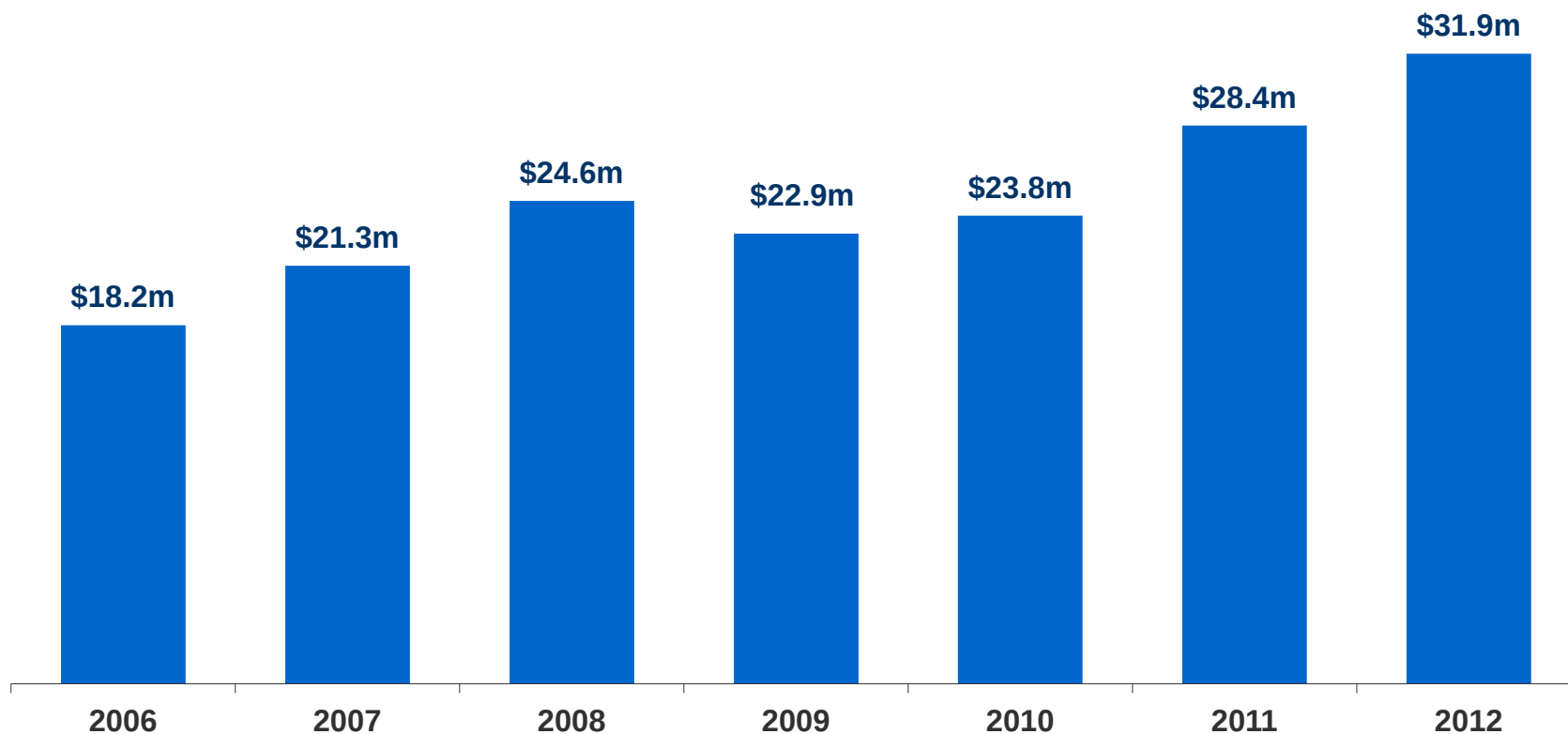
- Investment Income (\$m)
(excludes profit on sale of investments)
- Business Unit Revenue (\$m)



Expenses

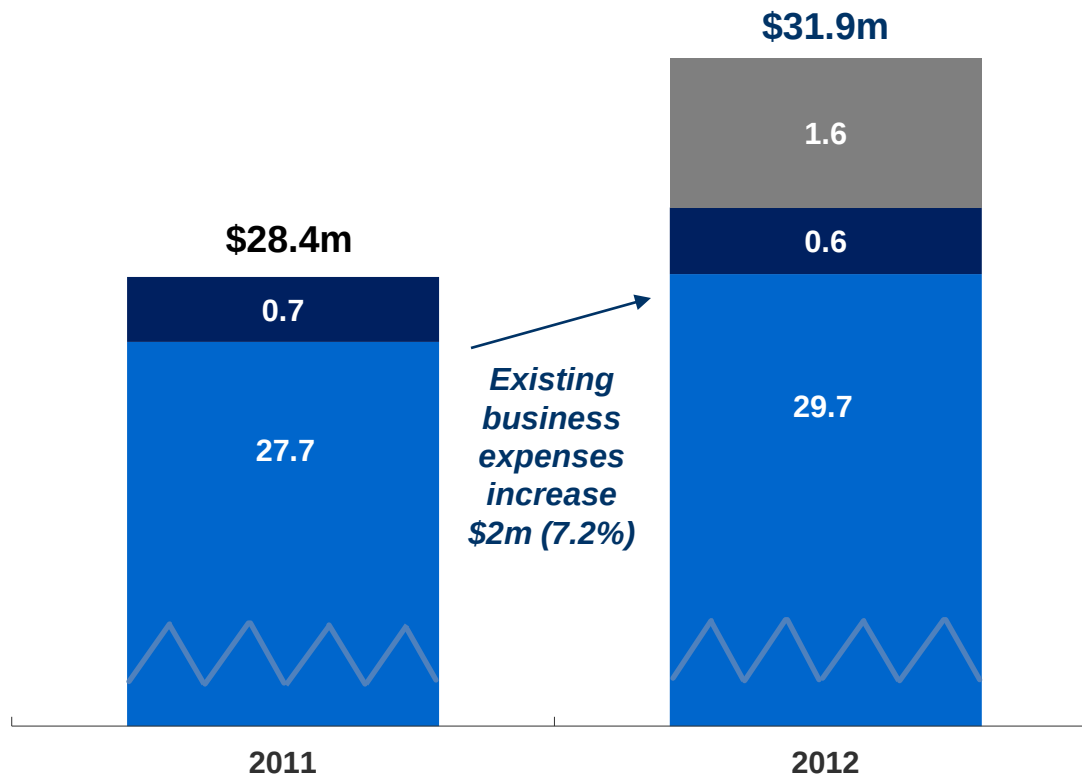
Operating costs (\$m)

(Refer to subsequent page for detail)



Expense composition

- New Business Recurring Expenses (\$m)
- Non Recurring Expenses (\$m)
- Existing Business Expenses (\$m)

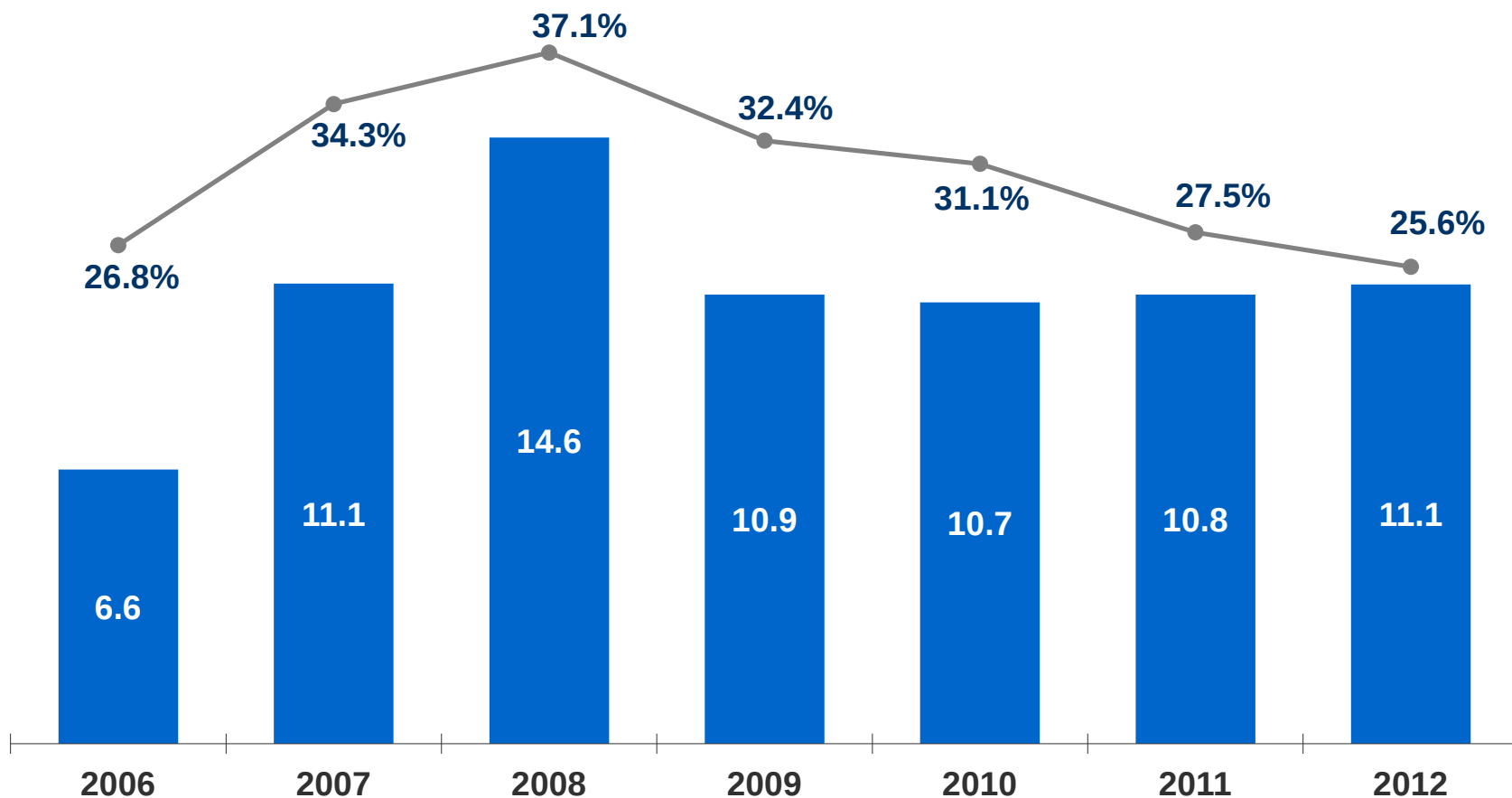


Operating margin

■ Operating Profit (Pre-tax) (\$m)

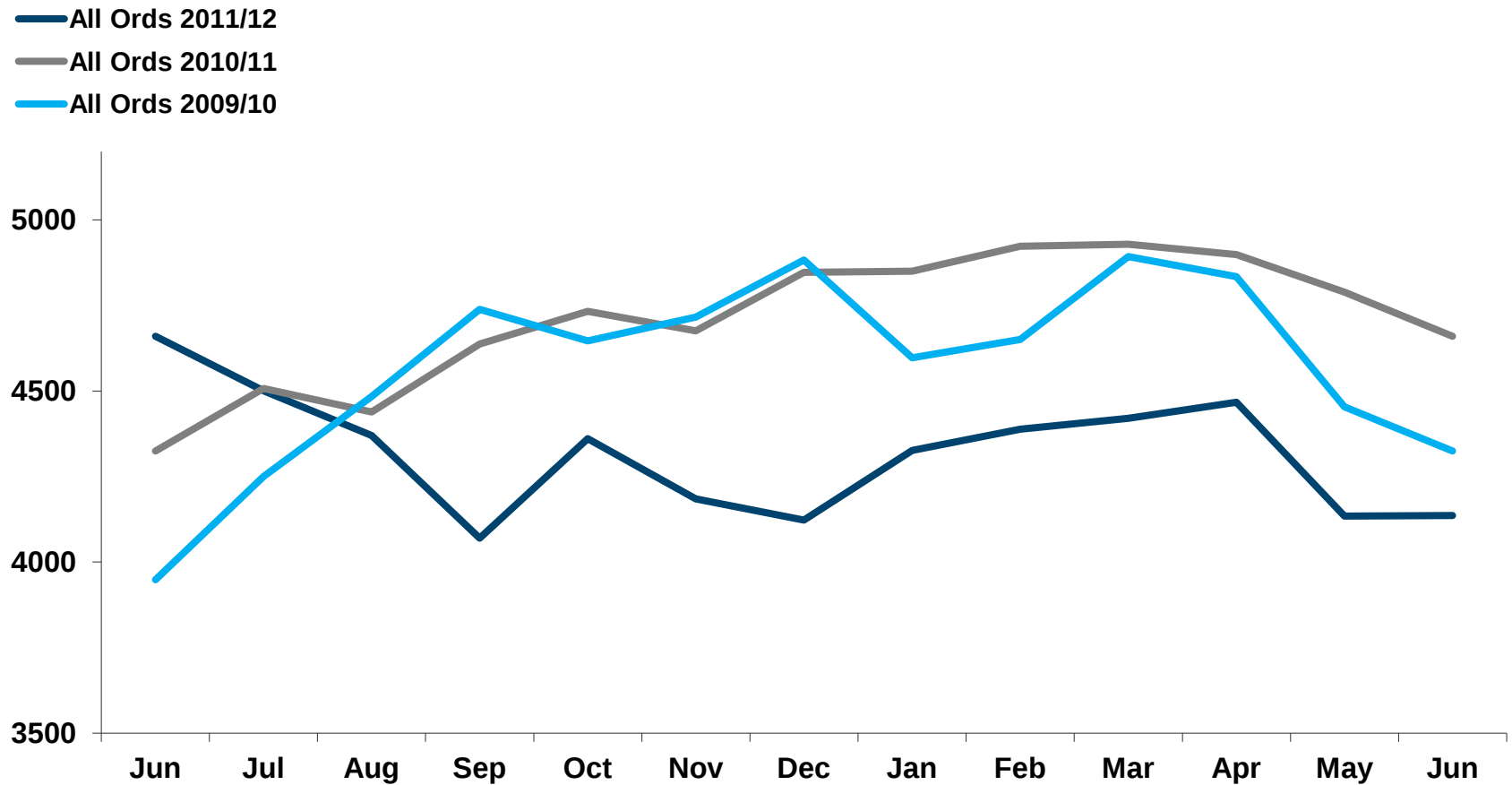
● Operating Margin (%)

(Not adjusted for non-recurring expenses)



All Ordinaries Year on Year Comparison

All Ordinaries Index Year on Year

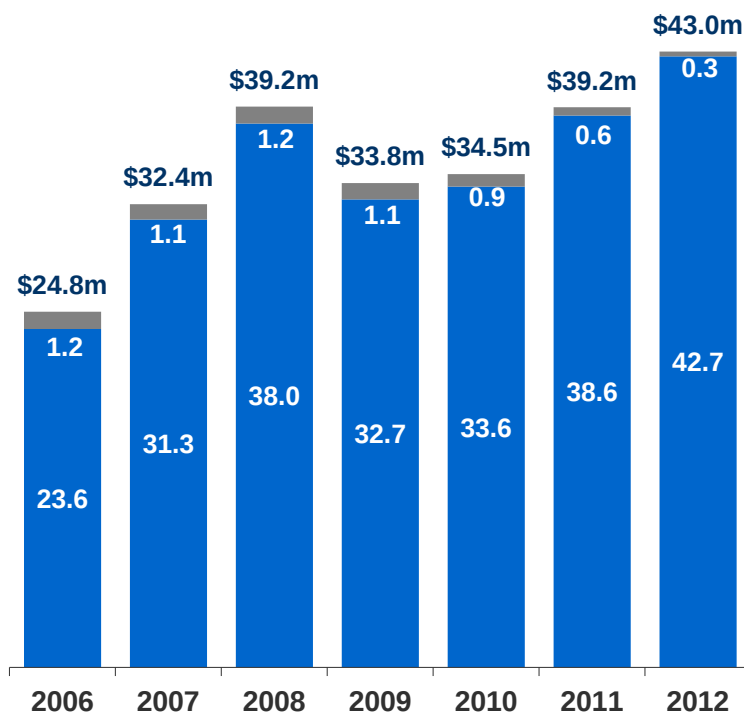


Operating revenue – change

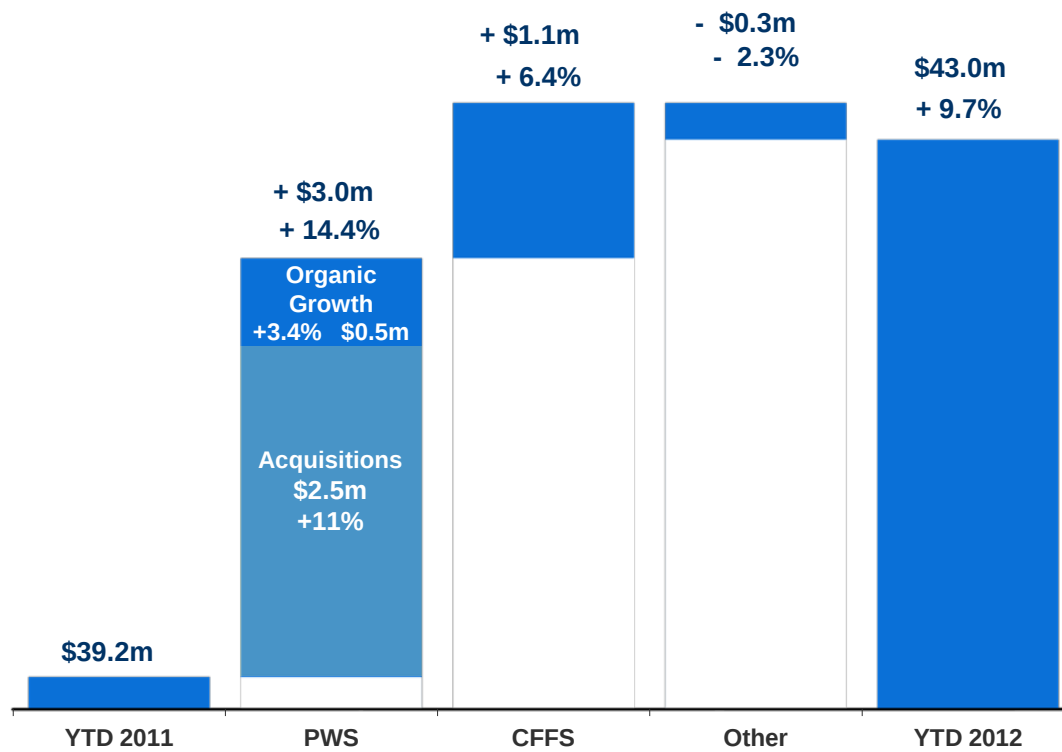
Operating revenue up 10% to \$43m

■ Investment Income (\$m)
(Excludes profit on sale of investments)

■ Business Units (\$m)



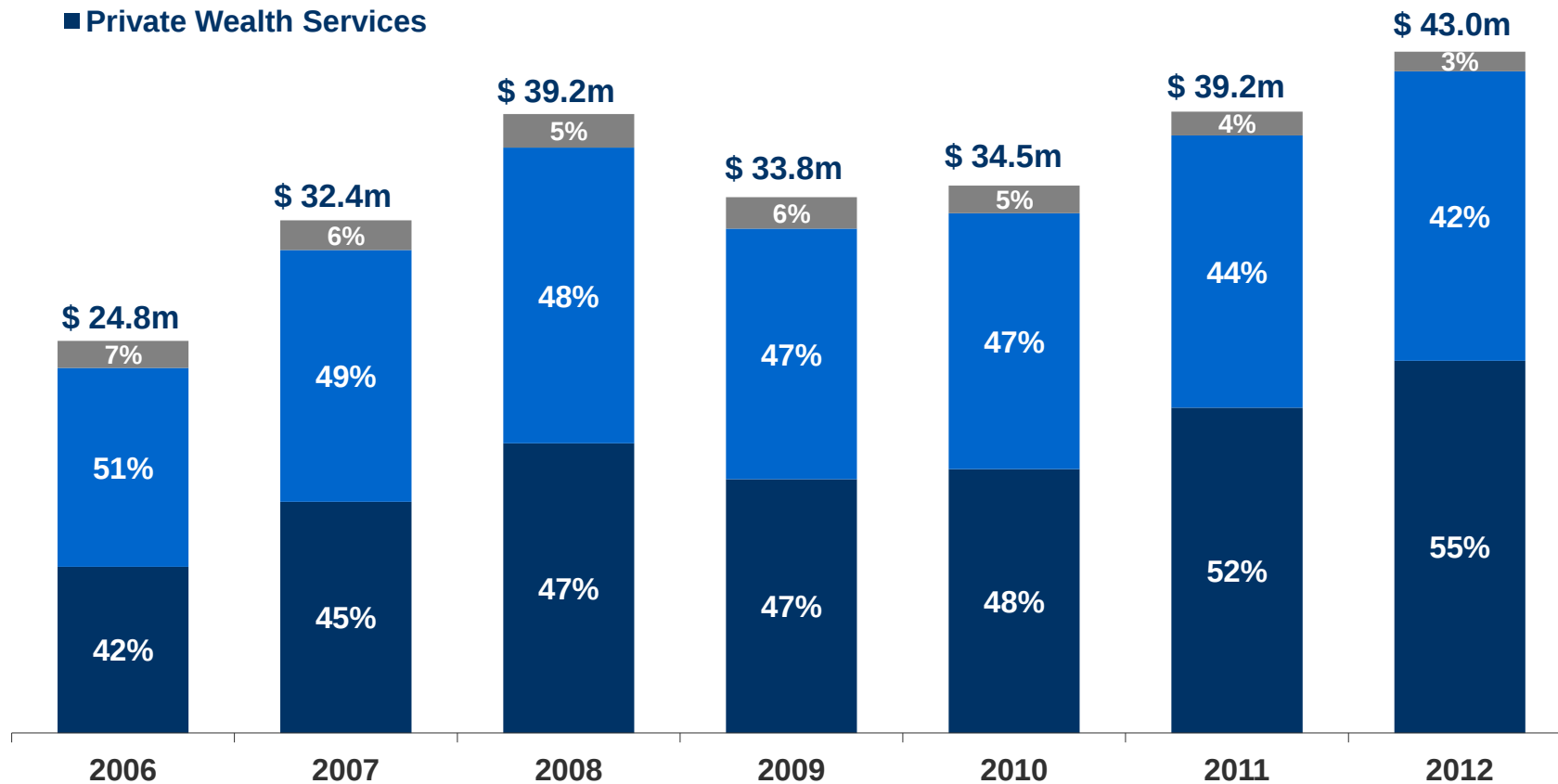
Operating revenue movement compared to prior year



Business Unit

Operating revenue – composition

- Other
- Corporate Fiduciary & Financial Services
- Private Wealth Services

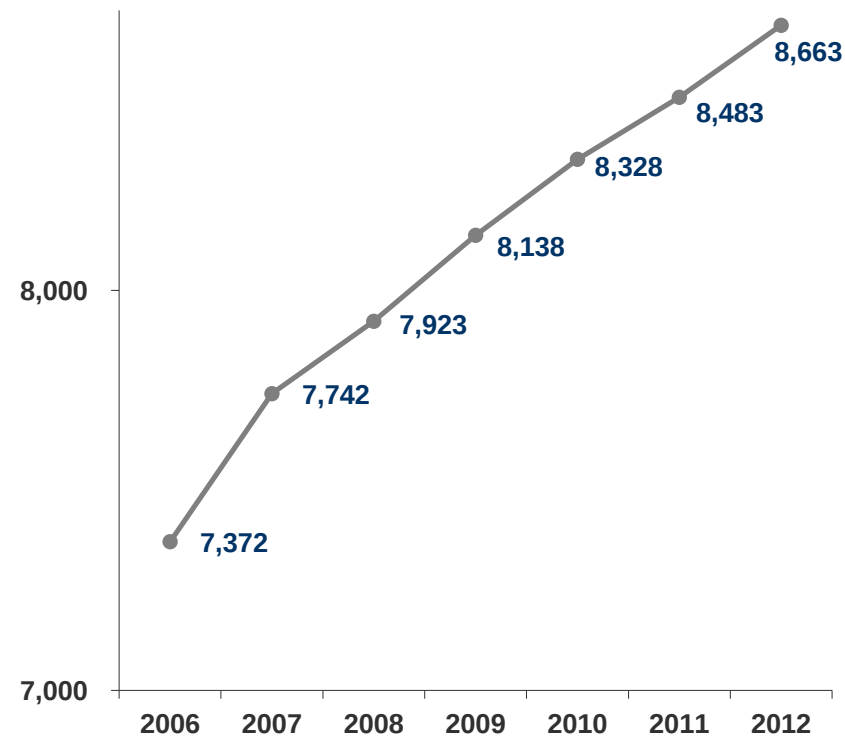
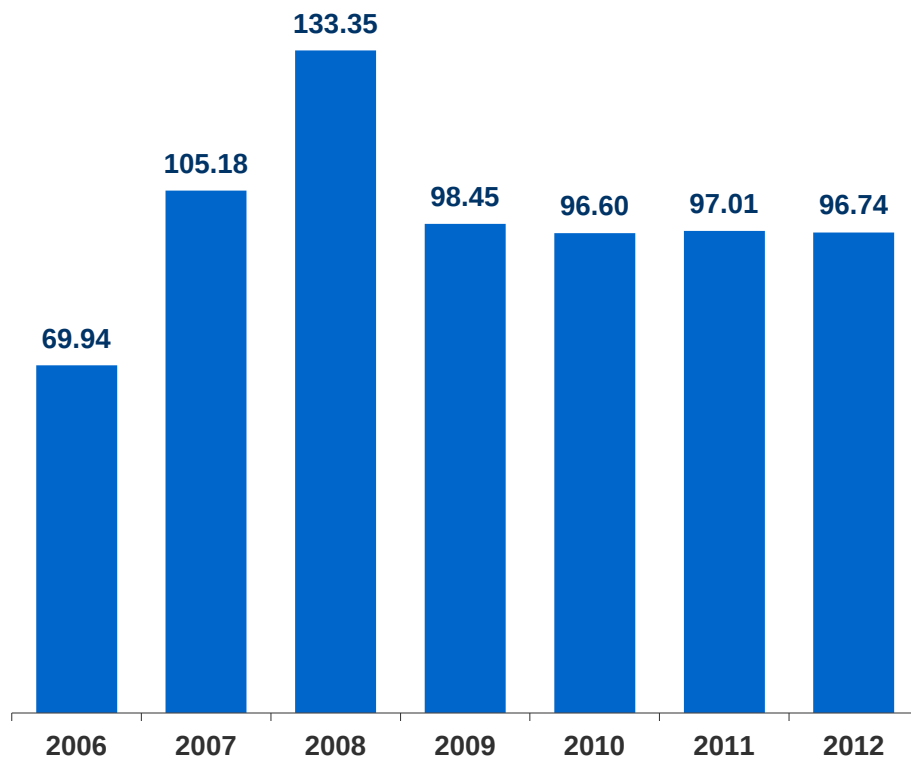


Reported earnings per share

Reported earnings per share at 96.74¢ per share

■ Earnings per share

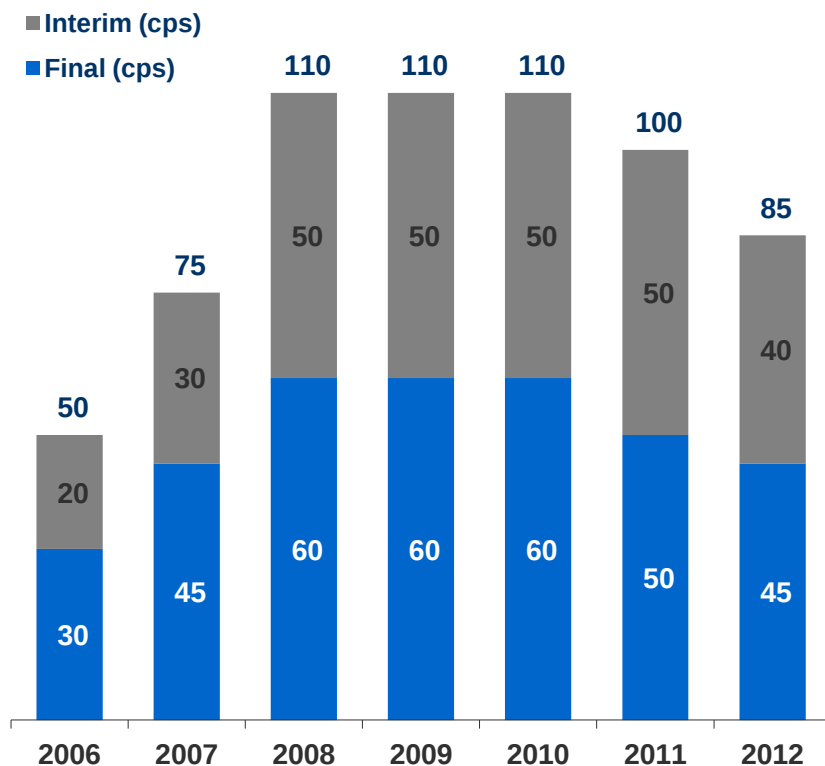
—● Weighted average shares on issue ('000)



Returns to shareholders

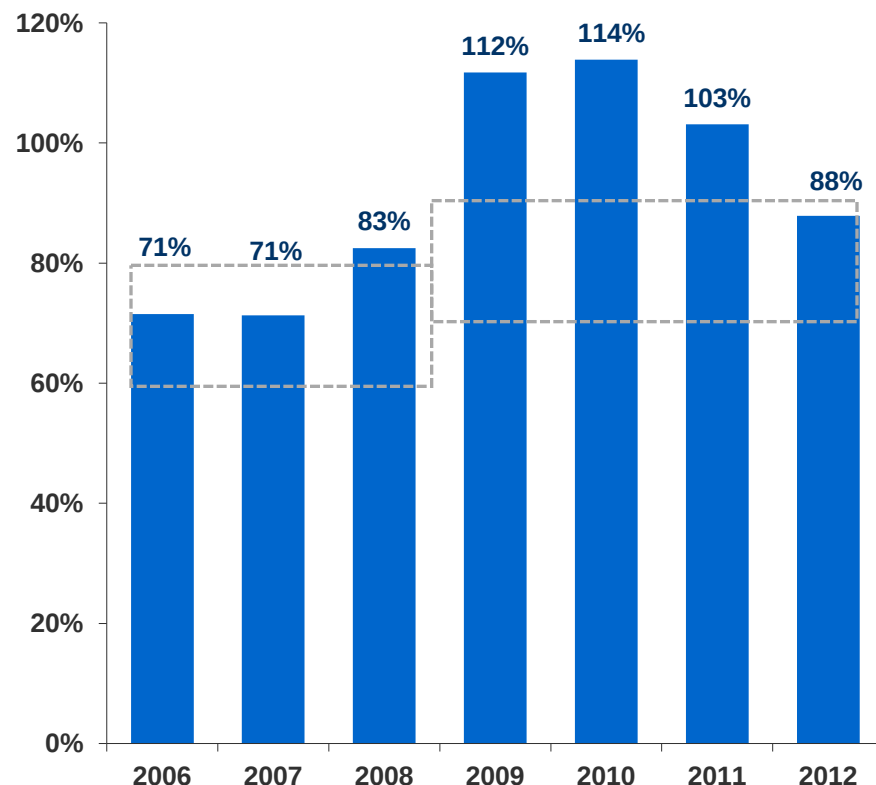
Full-year, fully-franked dividend

Reflecting a current yield of approximately
7.7% before franking credits



Full-year dividend as percentage of NPAT

Note, change of policy to 70-90%
of NPAT (from 60-80%)

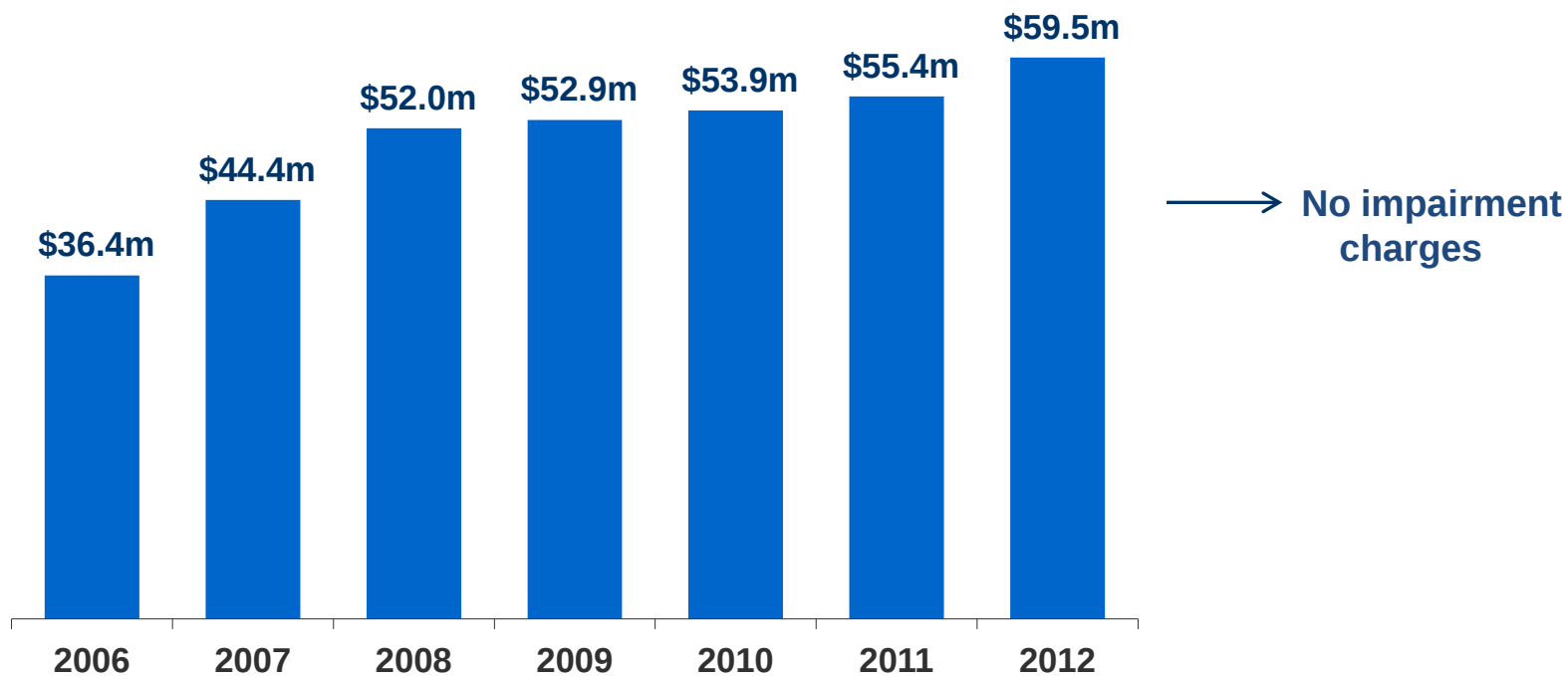


Dividend payout policy range

Net asset base

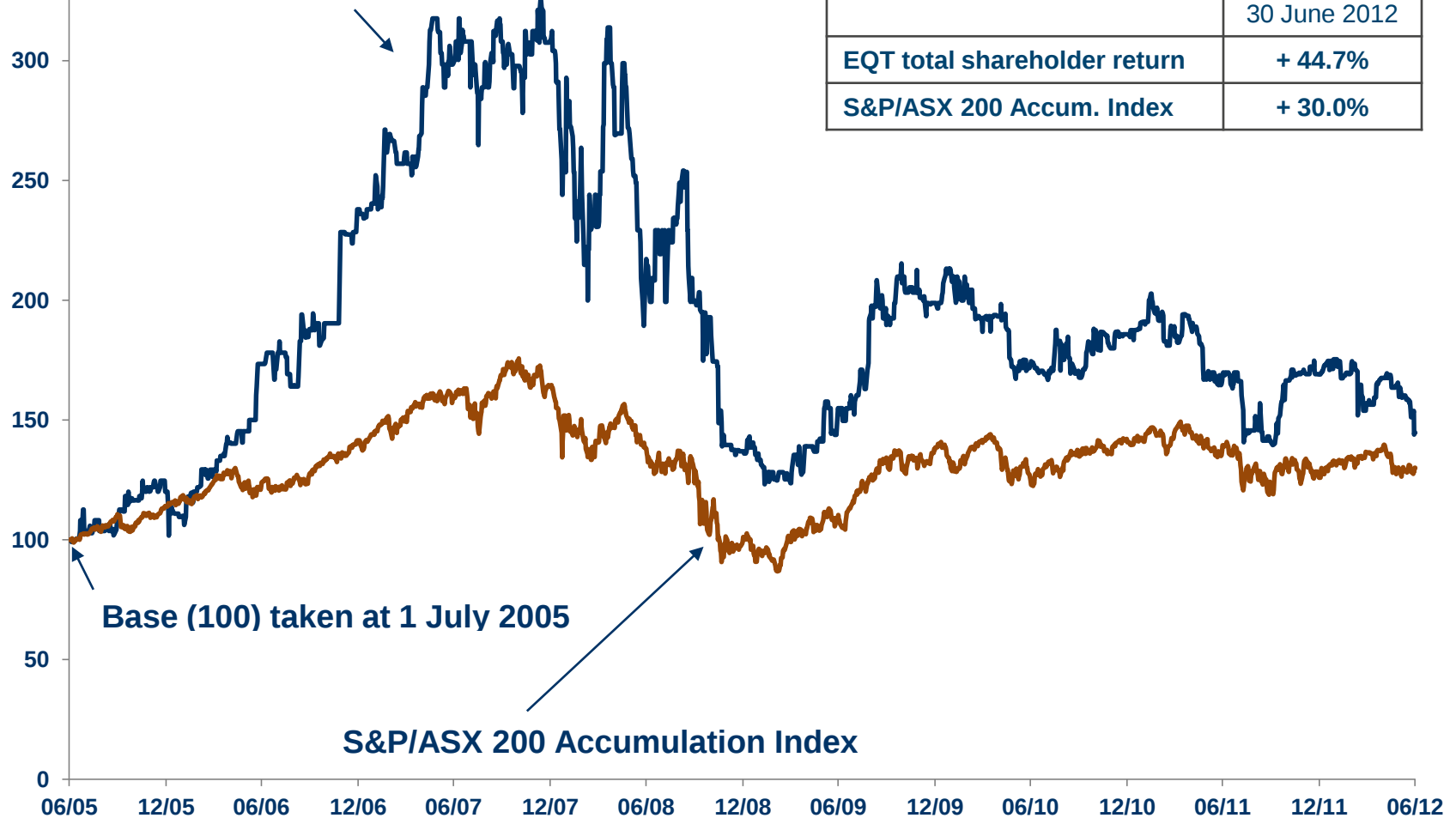
Strong net asset base. Nil debt.

2012 ROE on average shareholder's funds was 14.6%



Sustained shareholder return

EQT total shareholder return.
Assumes all dividends are reinvested.

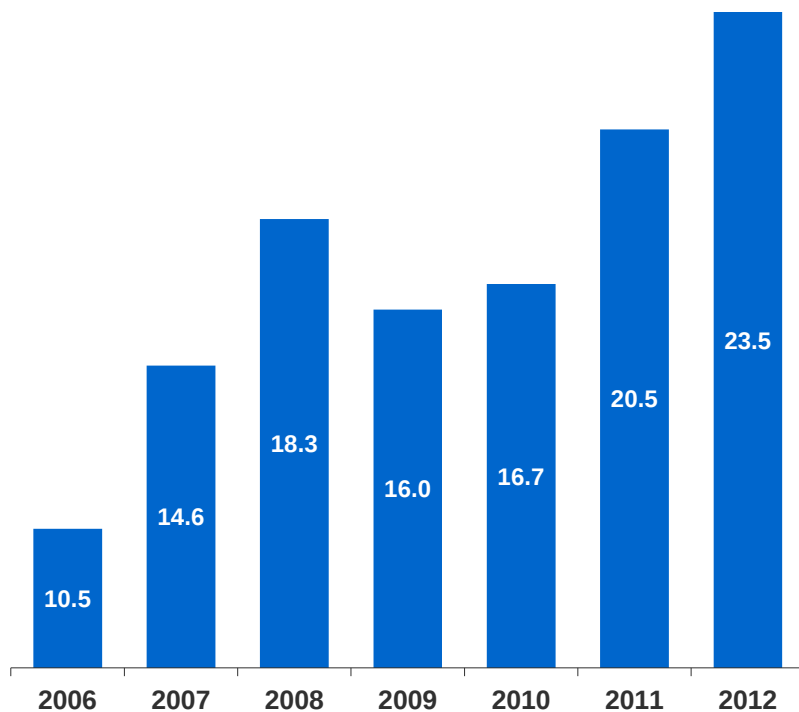


Business units – operations & performance

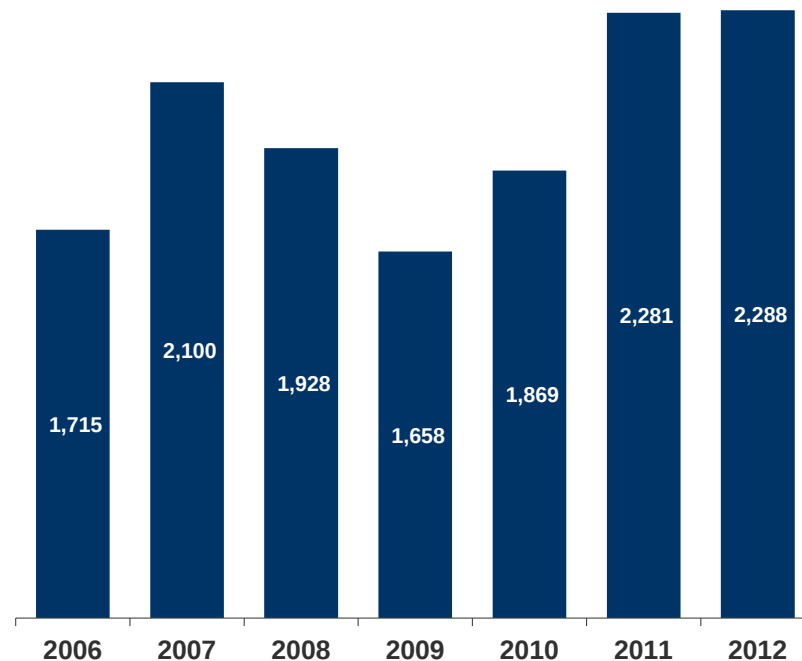
Business unit	Key services	Target market / channel	Revenue 2012 vs 2011	FUM/FUA 2012 vs 2011
Private Wealth Services (PWS)	• Trusts & estates • Philanthropy • Wealth management • Asset management • Full service Master Trust - EquitySuper & FoC	• Private clients • Business to business referrals • Small-medium size corporates • Members	\$23.5m + 14.6%	\$2,288m + 0.3%
Corporate Fiduciary & Fund Services (CFFS)	• Distribution • Product management for EQT co-branded funds (managed by external specialists) • Responsible entity	• Platforms/IDPS • Financial planners • Investment managers	\$18.3m + 6.4%	\$21,415m + 9.9%

Business unit overview – PWS

Operating revenue up 14.4% to \$23.5m



FUM/FUA at 30 June 2012 up 0.3% to \$2,288m



Business unit overview – PWS

2012 highlights

- PWS revenue up 14%, including acquisitions. Net of acquisitions the business unit achieved positive revenue growth despite market value impacts.
- Successful integration of aged care advisory business, which operated to projections in first year, EPS positive from acquisition. First cross-sales achieved.
- PEAT achieved 100% increase in new external will appointments as a result of business development activities initiated in recent periods. Overall, a 74% increase in new wills in which EQT appointed, from both internal and external sources, exceeding new estate administrations commenced.
- Total FUM for Wealth Management clients increased by 16.1%, despite market impacts and loss of clients (to PEAT for estate administration).

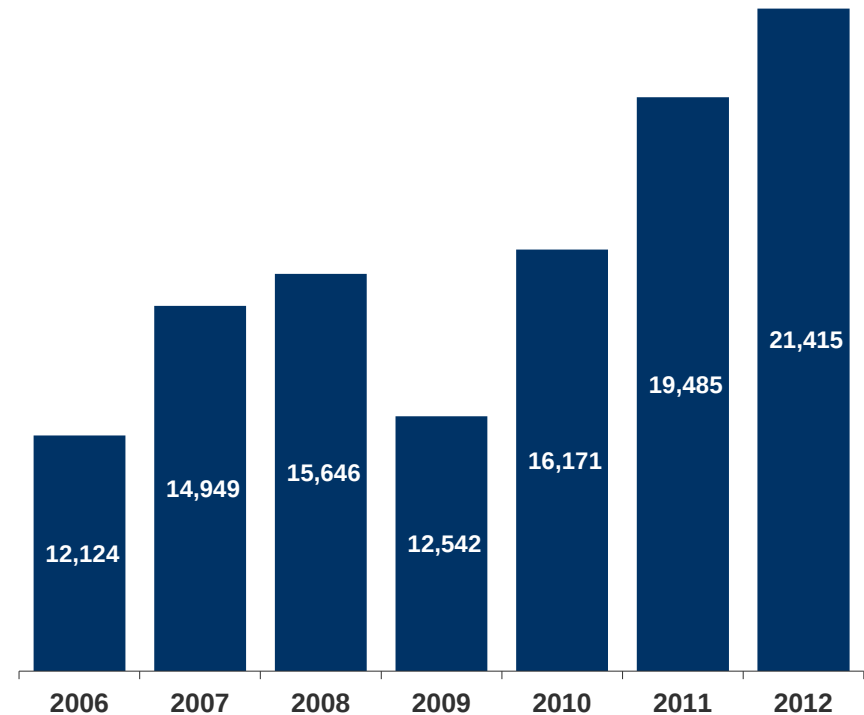
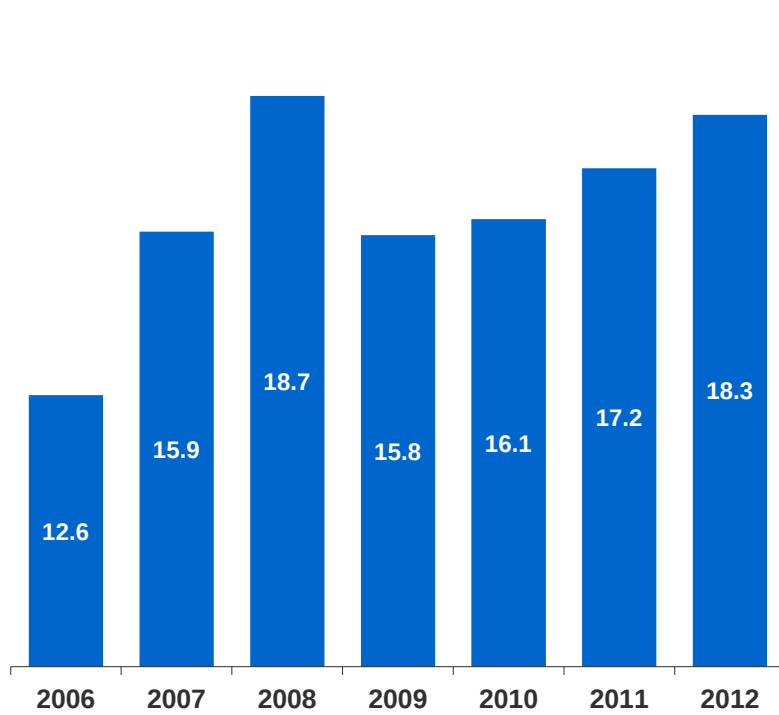
2013 outlook

- A major focus for 2013 will be to complete the integration of PWS into a unified and streamlined suite of services and products providing valued outcomes for clients at different stages of life cycle need.
- The implementation of the Stronger Super proposals (Superstream and Mysuper) will require planning, system enhancements and product design and review to anticipate potential competitive changes and impacts.
- Continued drive to cement long-term revenue streams through improved estate planning services and marketing to referral sources.

Business unit overview – CFFS

Operating revenue up 6.4% to \$18.3m

FUM/FUA at 30 June 2012 up 9.9% to \$21,415m



Business unit overview – CFFS

2012 highlights	In Corporate Fiduciary Services: • The Sydney based RE resource has broadened the potential to develop new business opportunities through multiple offices, as well as increasing our ability to actively align EQT into the offices of our clients. • Added a net 16 new funds, servicing a net increase of 7 managers. In Funds Distribution: • Co-branded funds generated strong net inflows – up 65% from the previous year. • Whilst inflows were heavily skewed towards defensive assets, we also had net inflows into Australian equities and Australian REITs. • EQT was nominated as S&P Product Distributor of the Year (4th year in a row) which is a reflection on our broad product offering, national business development presence and our investment partners.
2013 outlook	• A good stream of RE business leads has been evident throughout 2012 and a strong pipeline of new business opportunities continues. • The impact of ASIC's RG166 capital-backing requirements for REs on market opportunities for EQT will continue to be closely monitored. • We expect to see strong flows to defensive asset funds due to their increasing role in asset allocation in present market conditions. • We will continue with our national servicing model, and two-pronged strategy of targeting the large dealer groups (for scale and leverage) and the boutiques.

Business update and summary

The environment

- FoFA and Stronger Super (MySuper & SuperStream) impacts still being absorbed. Mix of opportunities and challenges – but increased business complexity and costs.
- Trustee business is not immune to regulatory reform and review – but EQT confident its model and policies are at a high standard.
- Generally, investor confidence remains low, defensive asset classes dominating flows, many industry participants feeling fragile.
- Vertical and horizontal consolidation continues in the wealth management sector – largest players will dominate the mass affluent segment. Acquisition of distribution and potentially grandfathered arrangements are clear themes.
- EQT's business model and brand naturally aligned to the higher wealth clients with more complex needs.
- The long-term impact of the wave of regulatory changes on the cost and availability of advice is uncertain, but the need for advice and the total wealth to be advised on (and transitioned) will both grow.
- Australia is still seen as an attractive market by many global businesses who service the wealth management/funds management industry.

Summary



The business

- From now on EQT will focus and report as two business lines – Corporate Fiduciary & Financial Services and Private Wealth Services. Clear focus on meeting client needs, rather than products and services.
- Integration of previously separate administration and IT teams to be pursued throughout next periods – focus on maximising efficiency, team flexibility, risk management and control, and a simpler business model.
- Revised business structure now in place to implement the above actions and projects.
- Expense control to reflect challenging conditions – no fixed pay review in July 2012 and anticipate no significant additional headcount. Monitoring potential need for additional regulatory capital.
- Both main business lines experiencing increased activity, although lower market values affecting revenue. Organic growth in revenue generated through the increased activity and result of business development initiatives.
- Potential acquisition opportunities presented regularly. Demonstrated ability to efficiently manage integrations.

Summary

The business (cont.)

- Strategic direction consistent over medium – long-term. Diversified business provides some protection against difficult conditions.
- Profitable, relatively stable business with annuity income sources is also an attractive workplace in current circumstances – enhances ability to attract and retain expertise.
- Impact of industry regulatory changes should provide a positive long-term environment for trustee companies.

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