9 October 2012

THE TRUST COMPANY REPORTS $4.1M PROFIT.
INTERIM DIVIDEND AT 12cps.

- Net profit after tax of $4.1 million
- Interim dividend of 12cps declared paying out 100% of profit
- FY13 dividend range of 27-29cps down from earlier guidance of 35cps
- Corporate Clients maintains strong momentum
- Personal Clients a work in progress
- Systems upgrade now entering detailed scoping and planning phase.

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 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 to 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."

ENDS

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* 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.