EQUITY TRUSTEES LIMITED

ANNUAL REPORT 2005

HONESTY | ETHICS | ACCOUNTABILITY | RESPECT

EQUITY Trustees

Trusted since 1888

COMPANY PROFILE

WHERE WE CAME FROM

Equity Trustees Limited was established as a trustee and executor service provider by a special act of the Victorian Parliament in 1888. We are a publicly listed company on the Australian Stock Exchange.

WHAT WE DO

We are a financial services institution offering a comprehensive range of financial products and services aimed at growing, managing and protecting wealth.

Our specialist services include providing estate management services, trustee services, legal, financial and taxation advice, personal investment advice – including superannuation – and responsible entity services for external fund managers.

We assist not-for-profit and charitable organisations with their services and financial product needs and offer philanthropy advice to families and individuals wanting to establish charitable trusts.

WHERE WE'RE HEADED

We have come a long way in 117 years from our origins as a trustee company. Today we are a dynamic financial services institution, and will continue to grow the breadth and quality of the products and services we offer.

CONTENTS

HIGHLIGHTS

"The 2004/05 year was highly successful for Equity Trustees. The benefits of two years of restructuring are seen in the increases across all parts of the business which underwrote the tremendous results we achieved"
Peter Williams, Managing Director

- NET PROFIT AFTER TAX UP 31.6 PER CENT TO $3.7M
- OPERATING REVENUE UP 18.1 PER CENT TO $19.8M
- FULL YEAR FULLY-FRANKED DIVIDEND OF 40 CENTS PER SHARE
- EARNINGS PER SHARE UP 26.5 PER CENT TO 57.58 CENTS PER SHARE
- STRONG GROWTH IN FUNDS UNDER MANAGEMENT
- NEW FUNDS MANAGEMENT PARTNERS
- SIGNIFICANT GROWTH IN PRIVATE CLIENT ASSETS UNDER MANAGEMENT
- TECHNOLOGY, PROCEDURES AND PEOPLE IN PLACE FOR QUANTUM GROWTH

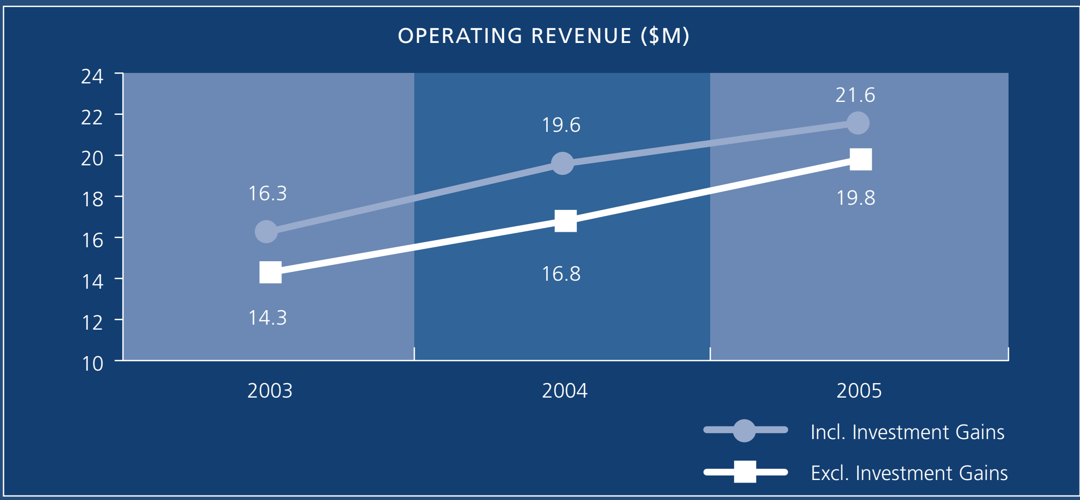
PERFORMANCE AGAINST OBJECTIVES

GOAL (2003)	RESULT (2005)	
Return to profitability & pay dividends	Now profitable and dividends growing	✓
Build revenue	Revenue up year-on-year since 2003	✓
Control expenses	Expense increase lags revenue growth	✓
Focus on core business	Four business units all growing year on year	✓
Change approach	"Do & win" culture	✓
Create opportunity	Seeking acquisition to accelerate growth	✓

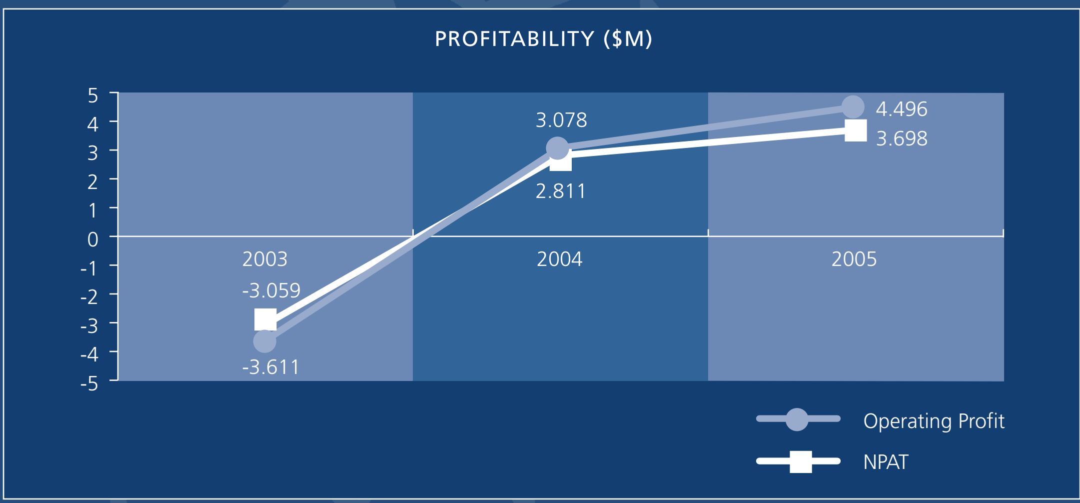
BOTTOM LINE

"These are the sort of figures we are proud to achieve, and which motivate our staff, most of whom are shareholders." Peter Williams

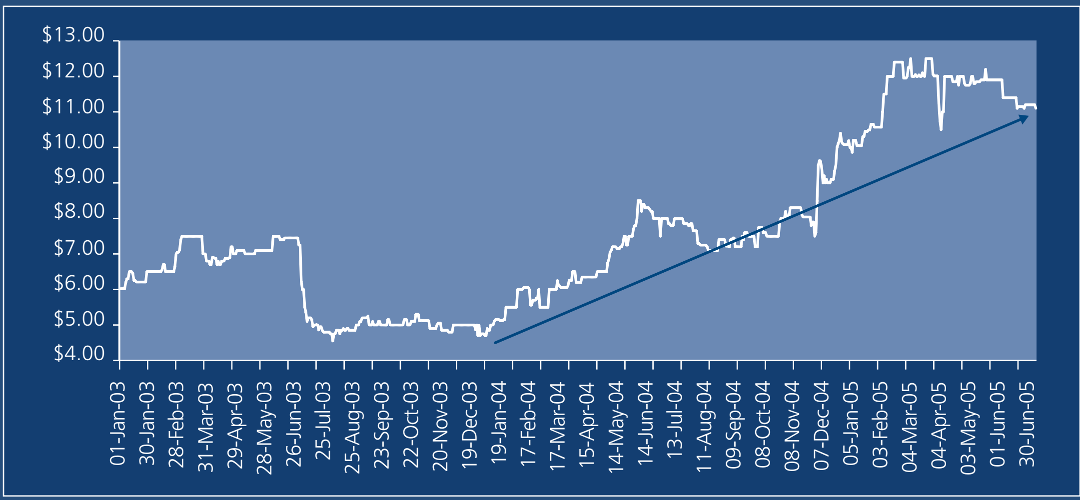
1. REVENUE (3 YEAR COMPARISON)



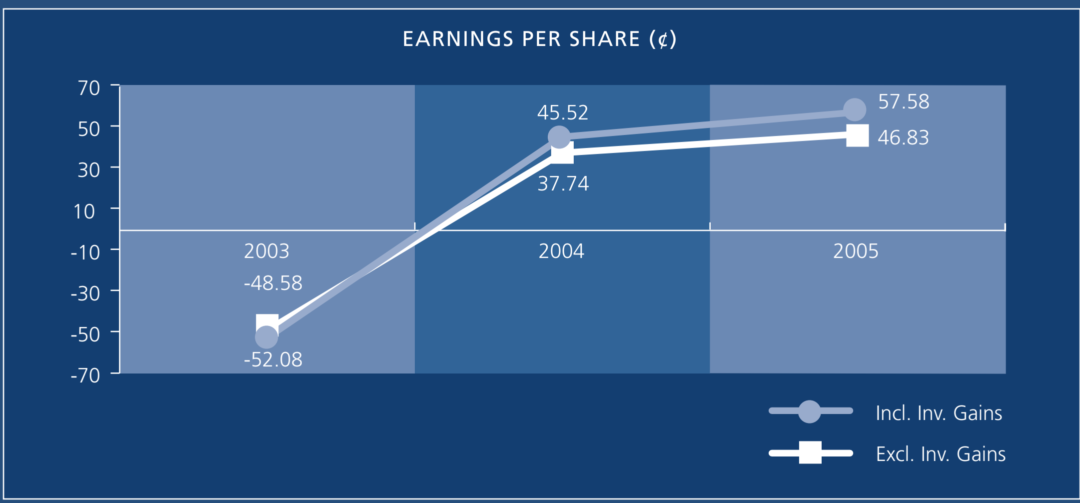
2. OPERATING PROFIT PRE-TAX & NET PROFIT AFTER TAX (3 YEAR COMPARISON)



3. SHARE PRICE (SINCE 1 JANUARY 2003)



4. EARNINGS PER SHARE (3 YEAR COMPARISON)



CHAIRMAN'S REPORT

PHILIP G MOLYNEUX
Chairman

"With the right people, technology and strategy in place, the company is accelerating its efforts to grow its presence in all the markets in which it operates." Philip Molyneux, Chairman

It is a pleasure to report on a year in which Equity Trustees Limited created even more value for its shareholders, staff, clients and strategic partners.

Building on the sound foundations established by managing director Peter Williams and his team in the previous year, the company increased its 2004/05 revenue, profits, and dividends – all good news and reflected in its share price.

Net profit after tax rose by 31.6 per cent to $3.70m (2004: $2.81m) on the back of increased operating revenue, and the continued responsible management of expenses. Earnings per share rose by 26.5 per cent to 57.58 cents per share (2004: 45.52 cents).

The company is paying a fully franked full year dividend of 40 cents per share, an increase of 10 cents per share over 2004. The board has, for the second successive year, met its aim of distributing between 60 per cent and 80 per cent of after-tax trading profit.

HIGHLIGHTS

The many highlights include the excellent performance of each of the company's four business units – Funds Management, Funds Services, Private Clients and Superannuation. Each increased revenue on a year-on-year basis.

Other highlights include:

- Considerable growth in the level of funds under management in both the Funds Management and Funds Services divisions;
- The first year that the Private Client team exceeded $1b in assets under management;
- Several awards won by Equity Trustees branded funds reflecting market recognition of its funds management partners;
- The near completion of the company's technological upgrade;
- Improved business processes positioning the company to take on new business without requiring major investment in new people or new systems.

INITIATIVES

During the second half of the year, to bring the company into line with best current corporate practice, Equity Trustees upgraded its Human Resources and its Marketing functions, moves aimed at helping it grow its businesses.

The Human Resources initiative has enabled the company to enter the 2005/06 financial year with the policies and practices in place to enhance the skills, training, and career development of its staff. It will ensure that the company's growing competitive edge is supported by a dynamic culture, with staff who understand and enjoy the challenges of growing the company.

The marketing initiative came at the right time, with Equity Trustees having the runs on the board to communicate to the investment community and to potential clients and strategic business partners.

An example of a first rate marketing exercise which benefits many organisations apart from Equity Trustees is its Not-For-Profit CEO Awards which improve every year. Last year's ceremony, with 550 people attending, was a triumph and the 2005 Awards, to be held in October, promise to be the best yet.

Equity Trustees' link with the charitable community is based on more than a century's involvement in the sector; it comes from being able to offer them high quality services at very competitive prices.

STRATEGY

As in the previous year, 2004/05 provided a healthy economic and investment environment, but the major factor in the company's success continued to be the positive outcomes flowing from the implementation of the strategic plan devised towards the end of 2002/03.

During the year the company achieved its major internal goals, which involved both cultural and technological change.

The culture is now less inward looking and more client focussed, while the implementation of a state-of-the-art technology platform to increase efficiency, improve reporting and upgrade communications was almost complete by balance date.

With a more energised workplace and appropriate technology, the time came to focus on Equity Trustees' major strategic goal – raising its participation and its profile in the financial services arena.

With the right people, technology and strategy in place, the company is accelerating its efforts to grow its presence in all the markets in which it operates.

GROWTH

Equity Trustees has a proud heritage as one of Australia's few independent trustee companies – the only one in Victoria – but it is more than that. The company has built on its 117 year history to become a more significant player in the broad financial services markets.

The company has the skills, the determination and the infrastructure to become a much bigger player and to benefit from economies of scale. It needs to grow, not only organically, but by acquisition.

CHAIRMAN'S REPORT CONT.

This is why the company entered discussions during the year on a potential merger with ANZ Executors & Trustee Company Limited. Unfortunately, following an extensive and thorough due diligence process, the parties came to a mutual agreement to cease merger discussions. While disappointing, the board is committed to pursuing opportunities only when it is considered that they will be in the best interests of shareholders.

YEAR AHEAD

The theme of Equity Trustees' 2006 financial year is 'Looking Ahead'. In terms of operations, each business unit is well positioned to continue increasing revenue and profits, and to receive further gains from re-engineering of business processes made possible by its new technology platform.

On the cultural front, Human Resources will roll out a set of defined company values to guide everyone working at Equity Trustees. Developed by a staff working group and with broad employee input, including the board and the executive team, these core values encompass everything that people working in a financial services company should be. These values are honesty, ethics, accountability and respect.

The major challenge for the year, however, is growth. Since balance date, Equity Trustees has begun the process of raising capital to support its expansion. Equity Trustees intends to raise approximately $9m, a critical factor in the exercise being that all shareholders will have the opportunity to participate.

While the company's organic growth is assured, the executive team would welcome the challenge of a merger or acquisition. The opportunity to leverage its new ability to operate on a larger scale would generate a quantum leap in profits for the benefit of shareholders.

THANK YOU

Finally some well deserved thanks to all our stakeholders.

First, Peter Williams and his team who have ensured that the company's cultural and technological change programs have achieved their intended goals. It is a tribute to all staff that the business has continued to grow strongly while so many changes have been underway.

Thanks also to my fellow directors for their wise input.

To Equity Trustees' clients and strategic partners who continue to drive the company to strive for better levels of performance, I thank them for their commitment.

Lastly a thank you to our shareholders. Those who were with the company in 2003 endured some difficult times but I am delighted that Equity Trustees has emerged from that period and is now rewarding those who have stayed with us.

Together we look forward to another good year.

Philip G Molyneux
Chairman

MANAGING DIRECTOR'S REPORT

PETER WILLIAMS
Managing Director

"While 2003/04 was about turning the company around, the year under review was about consolidation ahead of a new growth phase." Peter Williams, Managing Director

The 2004/05 year was highly successful for Equity Trustees. The benefits of two years of restructuring are seen in the increases across all parts of the business which underwrote the tremendous results we achieved.

While 2003/04 was about turning the company around, the year under review was about consolidation ahead of a new growth phase.

Again we experienced increased revenue growth across all our business units, kept an eye on our costs and reinforced a client-focussed culture to produce higher profits and dividends. These factors were reflected in our share price appreciation.

Net profit after tax, including gains from the sale of investments, was 31.6 per cent higher at $3.70m ($2.81m previously).

We announced a fully franked final dividend of 25 cents which brought the full year dividend payment to shareholders to a fully franked 40 cents per share (30 cents previously) on the back of operating revenue increasing 18.1 per cent to $19.8m ($16.8m previously).

Pre-tax operating profit, excluding gains from the sale of investments, was up 46.1 per cent to $4.49m ($3.07m previously). Pre tax profits from the sale of investments were $782,000 ($685,000 previously).

These are the sort of figures we are proud to achieve, and which motivate our staff, most of whom are shareholders.

AT A GLANCE

In 2003, faced with the need to ensure the security of the business, the board made the strategic decision to focus our growth on four business units – Funds Management, Private Clients, Fund Services (Corporate Trust and Responsible Entity services) and Superannuation.

With each business unit representing distinctly different services – the depth and breadth of which advantage our clients – it has been an increasing challenge to manage the demands that each places on the overall business day to day.

But, despite their respective challenges, each business unit met its budget and recorded significant increases in its key performance indicators.

MANAGING DIRECTOR'S REPORT CONT.

FUNDS MANAGEMENT

Funds under management increased by a remarkable 60 per cent to $989m by 30 June. Much of this growth was in the wholesale market, with an increasing number of our co-branded funds gaining access to platforms. We also saw a significant boost in retail funds from our Private Client business unit.

This result confirms that we are increasingly and successfully promoting our Funds Management partners in the marketplace. Our distribution capabilities are combining well with our partners' investment expertise to deliver outstanding investment alternatives to retail and wholesale clients.

This expertise was recognised by industry observers during the year. PIMCO Australia won no fewer than four awards – Money Management's *International Fixed Interest Fund Manager of the Year* and Money Magazine's *International Fixed Interest Fund Manager of the Year*, Morningstar's *Fund Manager of the Year* and the 2004 InvestorWeb Research *Six Star* award. MIR Investment Management won Money Management's *Australian Equities* and *Rising Star Fund Manager of the Year* awards.

We thank these partners as well as SG Hiscock & Company Limited, Grange Securities, State Street Global Advisors, LaSalle Investment Management, Vanguard Investments and Intrinsic Value Investment Limited for their continued involvement.

PRIVATE CLIENTS

Our Private Client team now manages more than $1b in assets for our clients, the first time we have achieved this milestone. This unit's impressive 14.1 per cent revenue growth indicates that the team has managed to grow the business without sacrificing margins.

I spoke last year of the challenge of maintaining the relevance of our Private Client services in a changing market. It is therefore pleasing to see consistent growth from a business unit operating in an increasingly competitive environment. It is satisfying that the team increased revenue in our traditional business lines (Estates, Trusts and Philanthropy) as well as in our Portfolio Manager (private wealth management) service.

The result shows the benefits of this business' program to develop staff and improve skills, something which will be enhanced by new systems being implemented in the area. This development will enable us to service our existing clients at an even higher level as well as attract new clients.

FUND SERVICES

Although coming from a smaller base, the 53.3 per cent revenue growth achieved by this business unit was outstanding.

This area is now responsible for $7.4b in Responsible Entity assets, a 74 per cent increase on last year and 157 per cent higher than the level recorded at the end of 2002/03. The value of custodial assets was $2.67b, which is 30 per cent above the level of 12 months ago and the second year in succession that this measure has increased by more than 25 per cent.

Several new Responsible Entity clients contributed to this growth, including Aberdeen Asset Management, Lincoln Indicators, Vertex Capital Management and Lloyd George Management, who join our already very impressive list.

The roles performed within Fund Services are highly specialised, including not only Responsible Entity but also Legal and Compliance. It is rewarding to see our expertise recognised by the broader market and that we have been able to utilise our skills to considerably grow this business.

SUPERANNUATION

Superannuation funds under management more than doubled to reach $434m by 30 June including DIY and Corporate Superannuation. Apart from the take up of new Corporate Superannuation, this was driven by the contribution from our Sydney-based superannuation business, Wealthpac Australia.

I spoke last year of Wealthpac being a master trust or "fund of funds" and our confidence that this model would work favourably in a climate of change, such as "super choice". Although the benefits from this remain ahead, Wealthpac is developing a solid footprint in the market.

Our DIY Superannuation business reported limited growth. Increasingly we will offer DIY solutions as a specialist service to our Private Client base and I remain confident in our ability to provide an efficient and growing service in an increasingly complex regulatory environment.

SUPPORT SERVICES

One reason for our outstanding results has been the high level of support provided to the four business units by our internal support teams.

During 2004 we devoted more resources to our Operations area and this investment has borne fruit with Operations now actively supporting all business units in their efforts to attract new business.

Our Information Technology team worked extremely hard to implement a new system across the organisation. I cannot emphasise strongly enough the importance of this. Previously, we operated a number of separate systems specific to different parts of the business. This was inefficient and costly.

At balance date we were nearing the completion of the technology change-over and there is no doubt that the new system is already contributing to our improved performance. Every single person in our organisation has been involved in some way with the challenges of the new system implementation.

Our Financial Business services team has efficiently ensured that we meet and exceed our financial reporting and company secretarial requirements. This part of the business does not attract public attention but, without its sound procedural disciplines, there could be significant disruption to our business.

Shareholders might note that our executive team has been expanded by two important appointments.

The first is our new Human Resources manager who, as our company grows, assumes a crucial role in our operational capacity. Our significant investment in people over the past two years is already paying off. The Human Resources team aims to ensure that our 'people investment' is properly managed and that Equity Trustees is able to attract and retain the best quality people.

MANAGING DIRECTOR'S REPORT CONT.

The second addition is our new Distribution & Marketing manager. During our difficult year in 2003 we made the strategic decision to reduce marketing expenditure in favour of business areas requiring more immediate support. Having passed through the survival stage our attention has turned to lifting the profile of our business and, more importantly, finding new sources of business. Distribution & Marketing will help the business units achieve this objective.

YEAR AHEAD

Our strategic challenge is growth, and our post balance date capital raising is part of that. Our operational challenge is to continue to contain expenses and to continue to grow the business in a profitable manner.

THANK YOU

We are on an upward trend and for that we can thank leadership from our board of directors, contribution to profit from all business units, a keen control of costs, an experienced and stable executive team and committed, enthusiastic staff.

My personal thanks go to all our people for again embracing change and rising to new challenges.

Thank you also to our clients, strategic partners and shareholders for their support in 2004/05.

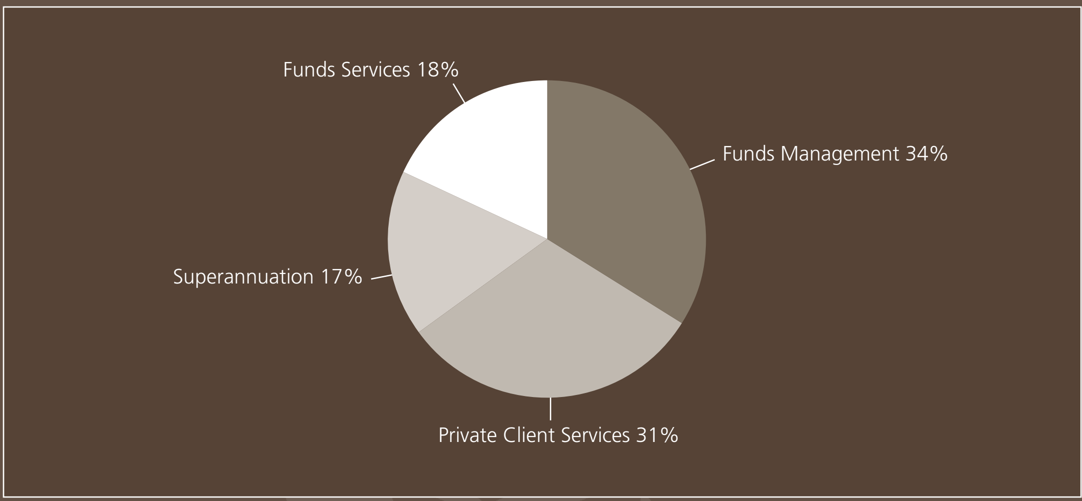
Peter Williams
Managing Director

BUSINESS UNIT REVIEW

"Again we experienced increased revenue growth across all our business units." Peter Williams

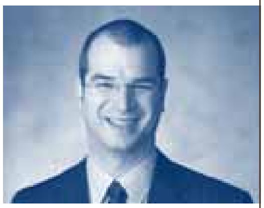
Performance always begins with revenue, and this chart shows the sources of our revenue in 2004/05.

SOURCES OF REVENUE



BUSINESS UNIT REVIEW CONT.

FUNDS MANAGEMENT



HARVEY KALMAN
Funds Management

FUNDS MANAGEMENT

"It's been all hands to the pump given our flat management structure. We've done all we can to facilitate the best results for unitholders in the funds and that comes from working in partnership with our fund managers and with custodian administrators, whether internal or external." Harvey Kalman

Head: Harvey Kalman, Equity Trustees executive since 2000.

Team members: 11

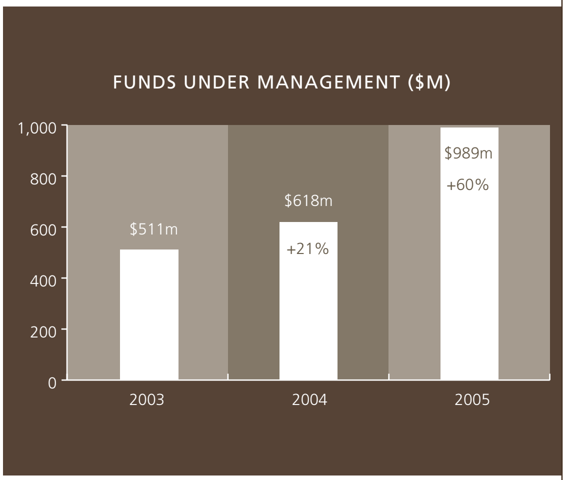
Role: The frontline fund manager and distributor for Equity Trustees branded retail and wholesale funds managed by external specialist fund managers.

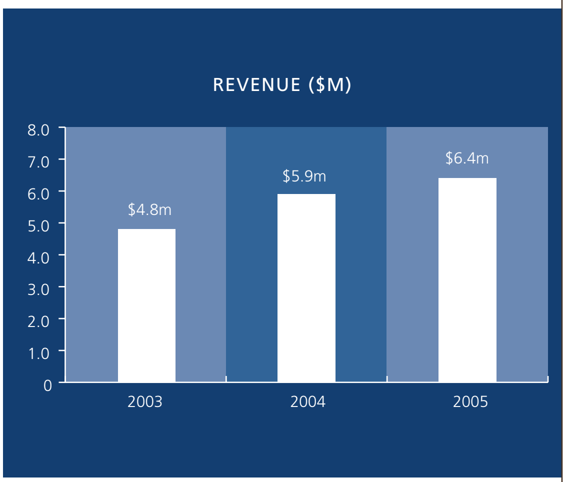
Funds under management at 30 June 2005: $989m (previously $618m).

Contribution to revenue: 34 per cent (previously 35 per cent).

Year highlights: Increasing funds under management by 60 per cent (previous increase 21 per cent). Widening the number of funds and asset classes available for our retail and platform investors. The team receiving the satisfaction of seeing the funds' performance grow to either meet or exceed the expectations of unitholders, and the excitement of winning awards. Minimising compliance breaches as we daily monitor the funds' operations. Launching the PIMCO-managed EQT Premium Bond Fund.

Year ahead: Markets will be turbulent given the oil supply and costs issues, demand for commodities in the emerging markets and terrorism concerns. Inflation may be an issue later in the year and will apply pressure on interest rates. Funds flow is expected to be into balanced and conservative options as investors seek growth with an eye to downside protection. The way to go is diversification. Fixed interest funds will be in vogue, along with funds with the ability to protect against downside.





SHAUN MANUELL
Private Clients

PRIVATE CLIENTS

"We had a pleasing year, with 14 per cent revenue growth and margin expansion, reflecting the hard work put in by the team over the last two years. Our continued focus on improved service delivery is building a very strong business model that is rewarding clients, shareholders and employees."
Shaun Manuell

Head: Shaun Manuell, Equity Trustees executive since 2003.

Team members: 24

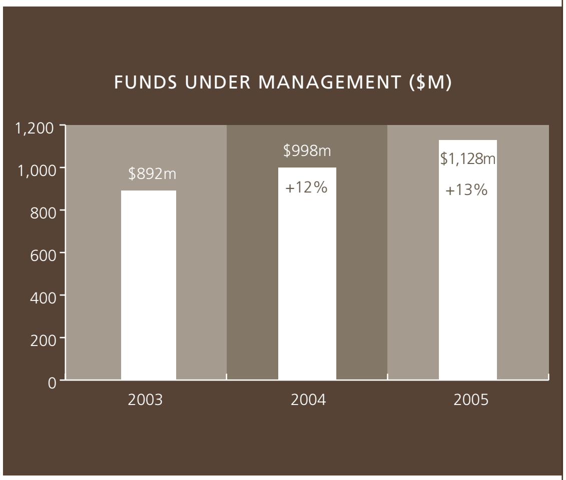
Role: Providing personal asset management services including investment advice, portfolio administration, trustee, executorial and philanthropic services.

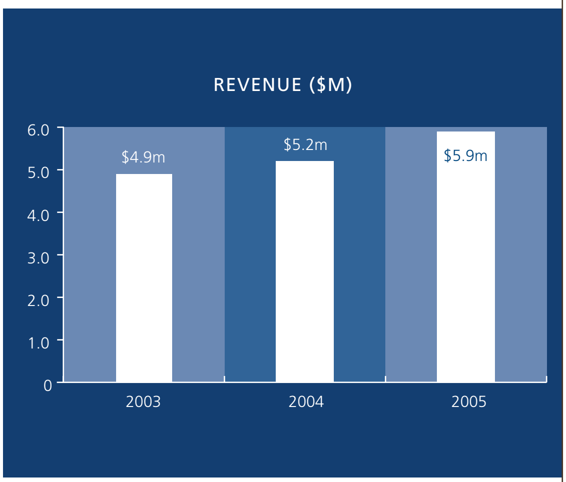
Assets under management at 30 June 2005: $1.128b (previously $998m).

Contribution to revenue: 31 per cent (previously 32 per cent).

Year highlights: Assets under management passing through the $1b mark for the first time. Attracting a large number of new clients to our services. Introducing a continuous improvement focus in terms of our service delivery. Re-engaging with our traditional client base and taking a more proactive approach to talking to existing and potential clients. Adding substantial value to our clients' wealth by delivering above-average returns for the majority of our clients.

Year ahead: The challenge we have set ourselves is to exceed the expectations of all Equity Trustees' stakeholders, including clients, beneficiaries, shareholders and employees.





BUSINESS UNIT REVIEW CONT.

FUNDS SERVICES

PHILIP MADDOX
Funds Services

FUNDS SERVICES (CORPORATE TRUSTS/RESPONSIBLE ENTITY SERVICES)

"We have experienced high growth in the RE Services business in particular. This underlines the strength of the business model adopted and its broad acceptance by domestic and international investment managers alike."
Philip Maddox

Head: Philip Maddox, Equity Trustees executive since 2001.

Team members: 4

Role: Overall responsibility for the Corporate Trust and Responsible Entity (RE) businesses. Legal Counsel.

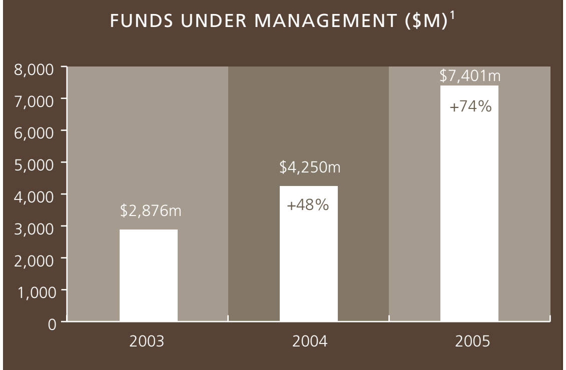
Funds under custody at 30 June 2005: $2.67b (previously $2.05b).

Funds under Responsible Entity management: $7.401b (previously $4.25 b).

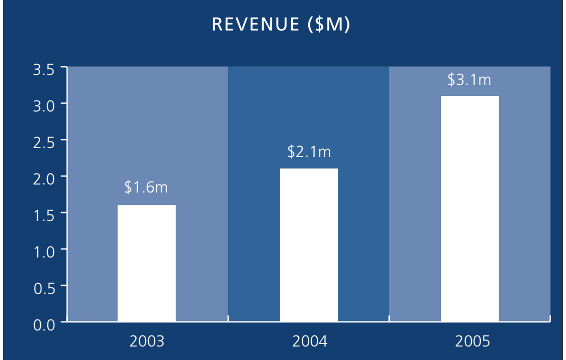
Contribution to revenue: 18 per cent (previously 12 per cent).

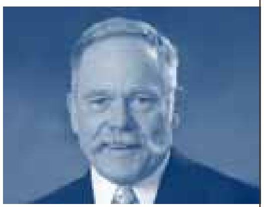
Highlights: High growth driven by the introduction of key new clients and funds, and supported by strong RE Operations and Compliance teams. Becoming responsible for a total of $7.4b in assets, a 74 per cent increase on last year. Restructure of the RE operations has enabled significant practical improvements in processes to ensure we continue to operate within sound risk management parameters, consistent with our positioning as a responsible trustee company, and our fiduciary obligations to the many investors for whom we act.

Year ahead: We will be striving to achieve the levels of growth which were achieved this year. There is a real 'can do' attitude to take advantage of the many opportunities which continue to arise in the financial services and funds management areas.



[1] FUM represents Responsible Entity.





ROB DILLON
Superannuation

SUPERANNUATION (WEALTHPAC)

"It has been yet another good year with superannuation diversified investments showing double digit returns after strong performance last year." Rob Dillon

Head: Rob Dillon, Wealthpac's proprietor who remained Head of this business unit following Equity Trustees' acquisition of the business in 2003.

Team members: 22

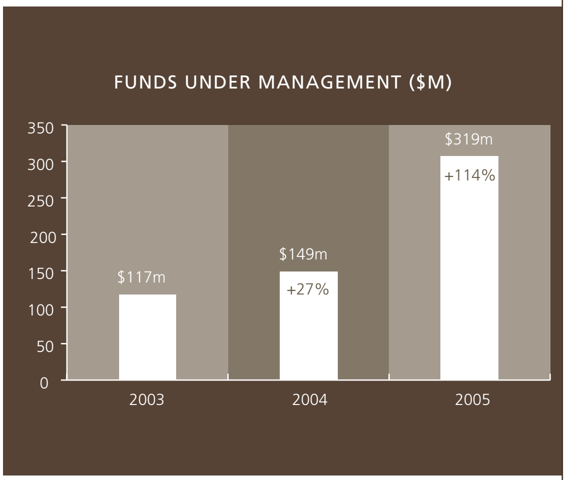
Role: Manages statutory superannuation funds.

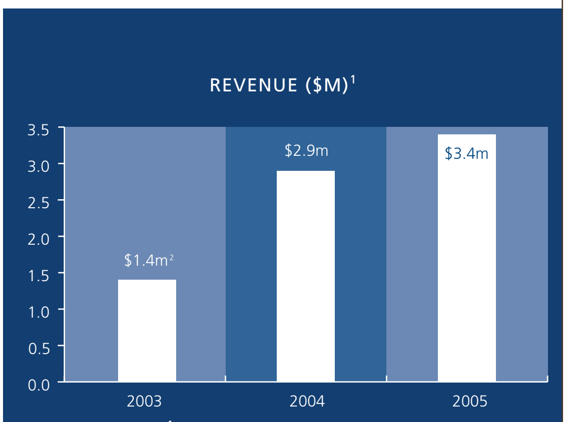
Funds under management at 30 June 2005: $319m (previously $149m).

Contribution to revenue: 17 per cent (previously 17 per cent).

Year highlights: Experiencing good investment returns and strong funds inflow into the master trust. Successfully installing new web based e-commerce technology to our SUMS Platform, topping up our on-line member enquiry capability which includes up to date member statements. New platform fully operational internally using leading edge NET Technology. Quality assurance training for all staff already proving very successful, with new ideas and ways to simplify processes emerging from all sessions.

Year ahead: Fund member e-commerce – including internet remittance by employers of member contributions and new member enrolment – goes on line in October. The prospect of further funds inflow as employers continue to choose corporate master trusts rather than run their own superannuation. The Australian sharemarket is not expected to be as buoyant as last year, but it would be nice to see international shares take off to compensate.





[1] Revenue is for Wealthpac only.
[2] Revenue is for a half year only.

SUPPORT UNIT REVIEW

OPERATIONS

INFORMATION TECHNOLOGY

GRAHAM SMITH
Operations

KAREN SYMES
Information Technology

OPERATIONS

"The past 12 months has been productive in terms of restructuring and creating efficiencies in order to create a scaleable organisational structure for growth." Graham Smith

Head: Graham Smith, Equity Trustees executive since 2003.

Team members: 23

Role: Fiduciary accounting, custody operations, management of private client real estate, unit registration for Equity Trustees managed funds, portfolio administration of Equity Trustees branded funds.

Year highlight: Doing the same type of work, but across a broader spectrum of clients. Moving people from various silos into a centralised structure which gives us higher efficiencies and gives Equity Trustees more depth of experience. Participation in the review of processes and implementation of new technology. The last stage of the technology conversion, involving the Private Client business, nearing completion at balance date.

Year ahead: From July 1 the company's Private Clients will receive new and better statements, and all our staff will have more effective access to information. Our business units will be able to scale up with only minimal need for new staff or technology. We can therefore grow the business within its existing structure without a proportionate cost increase.

"One reason for our outstanding results has been the high level of support provided to the four business units by our internal support teams."

Peter Williams, Managing Director

INFORMATION TECHNOLOGY

"Management of the transition to a single technological platform has been a huge challenge but a successful one, pointing us to opportunities for further process re-engineering." Karen Symes

Head: Karen Symes, Equity Trustees executive since 2002.

Team members: 5

Role: Responsible for the company's computer-based systems.

Year highlight: By 1 June 2005 having our legacy systems and our new system running in parallel, with everything set to run solo on the new system by 1 September 2005. The new system already allowing us to do things in better ways, enabling job function redesign and clearer understanding of peoples' accountabilities. These changes being valuable learning opportunities to enhance our overall capability.

Year ahead: Completing the final implementation of the new system for DIY Superannuation and integrating Wealthpac into our network which will facilitate sophisticated shared disaster recovery, services and information. Using our technological platform to create an operating environment managed by exception.

TERRY RYAN
Financial Business Services

LIBBY MITCHELL
Human Resources

FINANCIAL BUSINESS SERVICES

"The highlight for me is the increase in profit flowing from the previous year turnaround position, producing a further uplift in Earnings per Share and a further rise in the dividend payout resulting in a stronger share price."
Terry Ryan

Head: Terry Ryan, Equity Trustees executive since 2003.

Team members: 12

Role: Responsible for all financial, company secretarial, ASX and corporate and fund accounting matters.

Year highlights: It's satisfying that our shares have achieved a much greater following from both brokers and investors. Significantly, most business objectives were achieved with good performances from the four main business units and continued expenses controls. Funds Management has gone ahead and is now on the radar screens of lots of new, interested people and organisations. The Private Client business is moving ahead with an improved quality of staff and a changed mindset with its focus on revenue generation. Funds Services is doing well because of the new Responsible Entity appointments, while Wealthpac is steadily moving ahead. The new technology has added capacity to our existing support and back office functions, releasing time for winning and servicing new business.

Year ahead: We have an open approach to potential acquisitions and business opportunities so long as we spend our dollars wisely and any outcome is good for our Earnings per Share. We are building the balance sheet – surplus capital – for that purpose.

HUMAN RESOURCES

"The biggest change for Human Resources this year was that it now reports directly to the managing director and the board to more appropriately reflect the company's attitude to its people and their ongoing development."
Libby Mitchell

Head: Libby Mitchell, Equity Trustees executive since April, 2005.

Team members: 2

Role: Responsible for all aspects of employee personal and professional development as well as embedding key aspects of the corporate culture into policies and procedures.

Year highlights: Creating meaningful HR content on the intranet. Taking the annual staff survey online. Extending Occupational Health & Safety to include access to counselling for staff and their families and a health and fitness program. Preparing a better structured staff appraisal system. Developing a 'capabilities map' with four performance standards. Implementing compliance training for every role in the organisation. Reinvigorating the 1888 Program for staff with potential. Planning and structuring appropriate mentoring and coaching training for the general managers involved in leading the program.

Year ahead: Rolling out our defined corporate values – honesty, ethics, accountability, respect. Completing all compliance training, improving workstation ergonomics. Researching best practices to ensure that we are appropriately positioned against our peers.

COMMUNITY REVIEW

MARK GODFREY
Distribution and Marketing

DISTRIBUTION AND MARKETING

"Historically, as the growth of the company has been largely organic, it hasn't expended many resources on marketing. Now the time has come to push the company's growth significantly further." Mark Godfrey

Head: Mark Godfrey, Equity Trustees executive since April 2005.

Team members: 2

Role: Internal and external communications, enhancing business growth by promotion to strategic external audiences and improved communication tools. Structured investment presentations. Overseeing the Equity Trustees Not-For-Profit CEO Awards.

Year highlight: Establishing a business plan for the unit to help reinforce ongoing cultural change. Auditing our needs from a marketing perspective ahead of anticipated inorganic growth. Assessing the communications strategy and planning for the implementation of a large number of initiatives to be completed. Beginning to market Equity Trustees' competitive edge, internally and externally, consistent with an assessment of our distribution capabilities.

Year ahead: Bringing distribution and marketing together in a joint effort to help us punch above our weight. Focussing on our Private Client team to give them the resources to reach new sources of business. Working closely with our Funds Management team and our investment management partners to further promote our combined expertise.

CHARITABLE TRUSTS AND FOUNDATIONS

For 117 years Equity Trustees has had strong ties with community organisations through its role as a specialist in the establishment and administration of charitable trusts, in the management of investment portfolios held within the trusts, and in the distribution of trust and foundation funds to charities.

These activities continued in 2004/05 and more than 360 Not-For-Profit (NFP) organisations benefited from more than $15m distributed from Equity Trustees' charitable trusts and foundations.

During the year Equity Trustees, on behalf of its charitable clients, directed $250,000 from discretionary charitable trusts under its care to CARE Australia, Save the Children and Australian Red Cross Victoria for the Tsunami Disaster Appeal. The company now acts as the sole or co-trustee for 180 charitable trusts with more than $289m in funds under management.

PHILANTHROPY ADVISORY SERVICES

During 2004/05 Equity Trustees received continued recognition from co-trustees and charities for the improvement in services offered by this area.

The restructure has seen Equity Trustees refocus its efforts on its traditional client base, philanthropists. Equity Trustees provides philanthropy advisory services for families and individuals keen to set up their own charitable structures. This includes advice on establishing a charitable trust during a person's life-time, either through Prescribed Private Funds or through a multi-purpose trust providing cost efficiency.

The resources of the team have been expanded to continue the improvement in services achieved over the last two years and to allow the team to capitalise on opportunities to expand the company's existing client base.

"Equity Trustees' link with the charitable community is based on more than a century's involvement in the sector; it comes from being able to offer them high quality services at very competitive prices." Philip Molyneux, Chairman

CEO AWARDS

EQUITY TRUSTEES' NOT FOR PROFIT CEO AWARDS

2004 AWARDS

2004 marked the third successful year of Equity Trustees' Not-For-Profit CEO Awards. The latest awards were announced at a gala ceremony attended by approximately 550 people at Melbourne's Grand Hyatt Hotel in November 2004.

Launched in 2002, the awards extend the company's long history working with charitable institutions, publicly recognising those people who work tirelessly in the not-for-profit (NFP) sector.

AWARD CRITERIA

There are five awards, and nominees for each are judged on three criteria – service excellence, partnership success and enhanced organisational image.

Members of the judging panel, who generously contribute their time and expertise to the judging process, are Neil Waters, Managing Partner, Egon Zehnder International; Michael Robinson, former partner, Allens Arthur Robinson; Malcolm Bristow, Director, Leap Agency; Jan Cochrane-Harry, Director (Development) Melbourne Business School and Martine Letts, Deputy Director, Lowy Institute.

2004 WINNERS

The 2004 winners were:

Equity Trustees' NFP CEO of the Year: Recognising overall performance – Lyn Swinburne, Breast Cancer Network Australia (BCNA)

Equity Trustees' Significant Innovation Award: Recognising a quantum leap in performance – Jack Heath, Inspire Foundation

Equity Trustees' First Year Achiever Award: Recognising contribution in the first 12 months as CEO – Peter Brown, Wimmera Uniting Care

Equity Trustees' Long Term Achiever Award: Recognising contribution over a sustained period of eight years or more – Councillor Vernon Knight, Mallee Family Care

Equity Trustees' Judges' Award: Father Chris Riley, Youth off the Streets

CEO OF THE YEAR

The winner of the premier award, Lyn Swinburne, was diagnosed with breast cancer in 1993 and understands the issues faced by women with this disease. Breast Cancer Network Australia (BCNA), which she founded and heads, works with clinicians and breast cancer support and advocacy groups to provide those affected by breast cancer with information, assistance and a public voice. It has become the nation's largest national breast cancer consumer organisation, representing 130 groups and more than 14,000 people.

Many will have heard of BCNA's annual awareness-raising *Field of Women* event which has been held in every Australian capital, many regional centres and been taken up by a number of international groups.

As the winner of the Equity Trustees' CEO of the Year Award Lyn Swinburne received an all-expenses paid $20,000 study tour.

Mrs Swinburne used her award funding to attend the Strategic Perspectives in Non Profit Management course at Harvard Business School in the United States and to visit the operations of Nicosia-based Europa Donna Cyprus, Cyprus' support and advocacy group for women with breast cancer.

2005 AWARDS

The 2005 awards will be held jointly with Philanthropy Australia in Melbourne in October, coinciding with that organisation's second international philanthropy conference. The conference brings together charitable organisations, philanthropists, academics, investment managers and financial and legal advisers. The principle speaker will be Professor Fiona Wood, Australian of the Year, Western Australia's only female plastic surgeon and co-founder of Clinical Cell Culture, a private company recognised globally for its breakthroughs in the treatment of burns.

LYN SWINBURNE
Equity Trustees'
2004 Not For Profit
CEO of the Year

"Winning this award is important at a whole lot of different levels. For me it is public recognition that what I'm doing, I'm doing well, and that BCNA is a group doing important and valuable work on behalf of women and their families."

"It highlights the importance of grass roots community work and showcases what can be achieved with a combination of recognised need, passion, determination and hard work."

Lyn Swinburne

CORPORATE GOVERNANCE

The directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

ASX BEST PRACTICE RECOMMENDATIONS

The Australian Stock Exchange (ASX) Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have followed the best practice recommendations issued by the ASX Corporate Governance Council. Listed companies must identify the recommendations which have not been followed and provide reasons for the company's decision.

As detailed in this Corporate Governance Statement, the company considers its governance practices comply with all but one of the ASX *Principles of Good Corporate Governance and Best Practice Recommendations*. The recommendations suggest that the company should establish a nomination committee (recommendation 2.4), however the company believes that the full board itself, rather than a committee, can adequately perform this task.

DIRECTORS AND BOARD

As at the date of the Directors' Report, the Board comprises seven directors, six of whom are independent non-executive directors and one executive director. Details of the skills, experience, relevant expertise and terms of office of the directors are set out in the Directors' Report. The Board carries out its responsibilities according to the following mandate:

- At least two-thirds of the Board should be made up of independent non-executive directors;
- The chairman of the Board should be an independent non-executive director;
- The directors should possess a broad range of skills, qualifications and experience;
- The Board should meet on a monthly basis; and
- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

The company recognises that independent directors are important in providing assurance to shareholders that the Board is properly fulfilling its responsibilities. The company considers all relevant circumstances in determining whether a director is independent, including the following:

- Company shares owned directly or indirectly by the director;
- Employment by the company (or associates) of the director (or a family member) either currently or in the past;
- Business relationships between the company (or associates) and the director, a family member or business entity associated with them or with service providers in whom the director has an interest;
- Any material contractual relationship with the company or its associates other than as a director; and
- Any other interest or relationship which could interfere with the director's ability to act in the best interests of the company.

A table of discretions has been adopted by the Board which discloses the functions that are reserved to the Board and those that are delegated to particular management of the company.

The primary responsibilities of the Board include:

- The approval of the annual and half-year financial reports;
- The establishment of the long-term goals of the company and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the company and the monitoring of those results on a monthly basis;
- Ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- Appointing, evaluating, supporting and directing the managing director.

INDEPENDENT PROFESSIONAL ADVICE

With the prior approval of the chairman, each director has the right to seek reasonable independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

PERFORMANCE EVALUATION, NOMINATION AND REMUNERATION

The Board regularly reviews its overall performance, as well as the performance of its committees, individual independent directors and the managing director.

The chairman is responsible for the monitoring of, and providing feedback to, individual directors. This process involves a peer review of each director by fellow directors.

Each executive (including the managing director) has business performance objectives which are linked to company objectives. Each executive (other than the managing director), is assessed against these objectives by the managing director. The assessment of the managing director is conducted by the chairman.

The Board undertakes the following functions.

- **The review of performance and composition of the Board on an annual basis.**

  This ensures that there is an appropriate mix of skills and experience. In relation to the possible appointment of new directors, focus is placed on the particular skills and experience which might be most appropriate to the company's objectives. Any appointee must meet appropriate ethical and reputation standards. The Board has determined, following due consideration of ASX best practice recommendation 2.4, that given its current size and experience, these tasks are best performed by the full Board itself rather than by a nomination committee.

- **The review of remuneration of all directors, and the review and approval of remuneration of executive officers on an annual basis.**

  Executive remuneration packages include both fixed and incentive arrangements. The object of the company's executive remuneration policy is to reflect both short-term and long-term performance objectives and to align executive reward with shareholder value. There is currently no equity-based executive remuneration, other than the company's employee share acquisition plan (under which all employees can receive an annual grant of less than $1000 worth of shares in the company at no cost). The ability to provide equity based executive remuneration was approved at the 1999 Annual General Meeting of the Company. Non-executive directors' fees are determined by the Board within limits approved by shareholders. At the general meeting of the company held 31 October 2002 shareholders approved an aggregate level of fees of $250,000. Following due consideration of ASX best practice recommendation 9.2, the Board has established a Remuneration Committee that reviews remuneration of all directors and reviews and approves remuneration of executive officers on an annual basis.

In determining remuneration, the Board has regard to prevailing market levels, including remuneration surveys to attract and retain directors and executives of high calibre to facilitate the efficient and effective management of the company's operations.

Particulars concerning directors' and executives' remuneration are set in the Directors' Report.

FINANCIAL REPORTING

To support the company's 2005 financial reports, the managing director and chief financial officer have confirmed in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results are in accordance with relevant accounting standards. In addition they confirm to the Board in writing that:

- The statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

AUDIT AND COMPLIANCE COMMITTEE

The Board has established an Audit and Compliance Committee which, consistent with the ASX best practice recommendations, consists of three directors, each of whom is an independent non-executive director. The chairman of the Audit and Compliance Committee is independent and not chairman of the current Board. The current members of the Audit and Compliance Committee are:

- Mr DF Groves, chairman (Appointed to Committee 1 January 2002, appointed chairman 30 January 2003)
- Mr JR McConnell (Appointed 30 January 2003)
- Mr RA Illingworth (Appointed 24 April 2003)

Details of the qualifications of members and the number of meetings of the Audit and Compliance Committee attended are set out in the Directors' Report.

AUDIT AND COMPLIANCE COMMITTEE cont.

The Audit and Compliance Committee operates under a formal charter which sets out matters including its objectives, duties and responsibilities and membership requirements. This Committee provides a forum for the effective communication between the Board and external auditors. The Audit and Compliance Committee reviews matters including:

- The annual and half-year financial statements prior to their approval by the Board;
- The effectiveness of the management information systems and systems of internal control;
- The appointment of external auditors;
- The efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans; and
- Compliance by the company with compliance plans developed for registered managed investment schemes for which the company acts as responsible entity.

The Audit and Compliance Committee generally invites the managing director, compliance manager, chief financial officer and other responsible officers, and the external and internal auditors to attend its meetings. The Audit and Compliance Committee also meets with and receives regular reports from the external and internal auditors and compliance manager concerning any matters that arise in connection with the performance of their respective roles, including the adequacy of internal controls.

EXTERNAL AUDITORS

The Audit and Compliance Committee reviews the adequacy of the external audit arrangements including the scope and quality of the audit. Where appropriate the Audit and Compliance Committee makes a recommendation to the Board that tenders be obtained from recognised and well-regarded accounting and auditing firms to conduct future audits.

AUDIT INDEPENDENCE POLICY

To reflect recent legislative developments, report recommendations and accounting and audit practices, the Board has implemented an audit independence policy regarding the use of external auditors. The company will not use external auditors for:

- Bookkeeping services;
- Complete outsourcing of the internal audit function;
- Asset or liability valuation services where material to the financial statements;
- Any service which requires the auditors to act as an officer of the company and/or be in a decision making role;
- Litigation services where the auditor would be required to act as an advocate of the company or where the amounts involved are material to the financial statements; and
- Any service prohibited by the Corporations Act 2001.

In relation to the provision of any non-audit services to the company, including funds for which Equity Trustees Limited acts as trustee or responsible entity involving fees greater than $50,000, prior approval by the Audit and Compliance Committee will be obtained.

RISK MANAGEMENT

The Board is responsible for the company's system of internal controls. It constantly monitors the operational and financial aspects of the company's activities and, through the Audit and Compliance Committee, considers the recommendations and advice of external and internal auditors and other external advisers on the operational and financial risks that face the company.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and, where necessary, immediate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel and, in conjunction with the recommendations of the Audit and Compliance Committee, the scope and program of the internal audit function.

MANAGEMENT COMMITTEES

As part of Equity Trustees Limited's commitment to continually enhancing its risk management processes, a range of Management Committees have been established. These include the following:

Investment Management Committee

The primary functions of this Committee include overseeing the asset management activities and developing the company's investment style and process, developing appropriate asset allocation frameworks and assessing and reviewing external investment markets and investment managers.

Asset Review Committee

The primary functions of this Committee include monitoring:

- The performance and portfolios of the various trusts and estates administered by the company when it acts as agent, executor or trustee in light of the company's "prudent person" responsibilities under the Trustee Act; and
- The superannuation portfolios for which the company acts as trustee in light of the investment strategy responsibilities under the Superannuation Industry (Supervision) Act.

Due Diligence Committee

The primary functions of this Committee include reviewing disclosure documents to be issued by the company, considering proposed changes to compliance plans or constitutions for registered managed investment schemes for which the company acts as responsible entity and reviewing new business proposals for taking on appointment as corporate trustee or responsible entity and making appropriate recommendations to the Board.

COMMUNICATION TO SHAREHOLDERS AND THE MARKET

The Board is committed to effective communication with its investors and believes that shareholders should be fully informed in a timely manner of all major business events that might influence the company. Shareholders have the right to attend the company's annual general meeting and are encouraged to participate effectively at these meetings. The company's external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The company has in place effective external disclosure procedures including a market disclosure policy which seeks to ensure that:

- There is full and timely disclosure of the company's activities to shareholders and the market in accordance with the company's legal and regulatory obligations; and
- All stakeholders (including shareholders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by the company.

The Board and the executive group of the company are fully aware of the obligation to comply with the ASX Listing Rules.

DEALING IN COMPANY SHARES

Directors are required by the company's constitution to hold a minimum of 300 shares. Their current shareholdings are shown in the Directors' Report.

Directors, employees and contractors (and their immediate family members and other third parties who may be influenced) are prohibited from trading in the company's shares unless the trade occurs within 30 days from two business days after the date of:

- The release of the company's yearly and half-yearly results to the ASX; or
- The company's annual general meeting.

However, directors, employees and contractors (and their immediate family members and other third parties who may be influenced) are prohibited from trading in the company's shares at any time if they are aware of any price sensitive information that has not been made public. All dealings in shares of the company by directors are promptly notified to the ASX.

CODE OF CONDUCT

Equity Trustees Limited is committed to maintaining high standards of integrity and conducting its business in accordance with high standards of ethical behaviour. As part of the Board's commitment to the highest standards of conduct and integrity, it has adopted the Code of Practice for Statutory Trustee Organisations (as it applies to directors, employees and contractors) issued by the Trustee Corporations Association in March 2001.

CODE OF CONDUCT cont.

The Objectives of the Code of Practice in its application to the company include:

- Defining high professional and ethical standards to be met;
- Promoting disclosure of information relevant and useful to customers so as to allow them to make an informed choice; and
- Promoting the delivery of trustworthy, high quality and efficient trustee and investment services.

The Code of Practice covers such matters as:

- Acting with honesty and integrity, and in the best interests of customers;
- Operating the business in a professional manner acting at all times with the due care, skill and diligence required of a statutory trustee organisation;
- Observing sound business practices and ensuring, amongst other things, that the company has regard to relevant industry standards/policies and has adequate and properly documented plans, controls and maintenance mechanisms which are implemented at all levels of business;
- Respecting and preserving the privacy and confidentiality of customers;
- Providing clearly expressed terms and conditions to a customer;
- Making full disclosure of any fee charged or commission to be received by the company. Statements detailing account transactions are sent to clients at least every 12 months, or at any shorter intervals required by legislation; and
- Having an internal dispute resolution process which provides for a fair and timely method of handling disputes, utilising appropriate external dispute resolution processes such as those prescribed under legislation (where relevant) and utilising external impartial mediation when complaints may be otherwise unresolved.

BOARD OF DIRECTORS

The qualifications and experience of the Board of Directors of Equity Trustees Limited, before, during and since the year ended 30 June 2005.

PHILIP MOLYNEUX

Chairman

B.Econ, FCA

Appointed Chairman 1 January 2003

Non-Executive Director since 1992

Member of Equity Trustees' Remuneration Committee

Philip is involved in non-executive roles in both the not-for-profit and corporate sectors. Since 1998 he has chaired the listed biotech research and development company, Anadis Limited, and is a director of the listed company, Pro Medicus Limited, which specialises in software for the radiology sector. Philip's other directorships include Australian National Academy of Music and the Centre for Eye Research Australia Limited. He is a trustee of the Eye Research Foundation, the Ansell Ophthalmology Foundation and The Monash University Accident Research Foundation.

PETER WILLIAMS

Managing Director

Dip.AII, MAICD, FAIM

Peter was appointed Equity Trustees' managing director in February 2003 with significant experience in the financial services industry. He has broad experience in investments, insurance and superannuation, having worked in Australia and internationally with the listed insurance company AXA (previously National Mutual Ltd). His roles included general manager and chief executive officer of AXA Trustees Ltd.

In 1988, Peter was appointed general manager, National Mutual Asia Ltd, working out of Hong Kong. On returning to Australia in 1993, Peter became national marketing manager at National Mutual Funds Management. In 2000 he was appointed general manager, Superannuation & Portfolio Services at Perpetual Trustees Australia.

Before 1988, Peter worked in various roles including National Mutual's corporate business manager (Western Australia, South Australia, Northern Territory), superannuation sales consultant and client manager.

Other directorships have included NM Superannuation Pty Ltd, including two years as its chairman, and two years as national president of the Trustee Corporations Association of Australia of which he is currently national vice president. Peter was a director and vice-chairman of Austcham (the Australian Chamber of Commerce) in Hong Kong and has been both vice president and executive director of Victorian Baseball Association Inc. In February 2005 Peter was appointed to the board of the Australian Baseball Federation.

DAVID GROVES

Director

B.Com, M.Com, CA, FAICD

Non-Executive Director since November 2000

Appointed Chairman of Equity Trustees' Audit & Compliance Committee in January 2003

A director of GrainCorp Limited, Masling Industries Pty Ltd and Kambala, a Sydney independent girls' school. David is also an executive director of a number of private companies involved in agriculture, viticulture and investment. Formerly a director of Mason Stewart Publishing, non-executive director of Camelot Resources NL and an executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

BOARD OF DIRECTORS CONT.

JOHN McCONNELL

Director

B.Com, FAICD, FAIM, FAIBF

Non-Executive Director since January 2002

Member of Equity Trustees' Audit & Compliance Committee since January 2003

John has had more than 35 years' experience in banking and finance with the ANZ Banking Group in Australia, New Zealand and the United Kingdom, and has held various board positions within that group. Roles at ANZ included managing director of Corporate Banking and Retail Banking, and deputy managing director of Esanda Finance Corporation Ltd.

John is chairman of HarvestRoad Ltd, director of Melbourne's Carey Baptist Grammar School Ltd and Housewares International Ltd and chairs Housewares' Remuneration Committee. He was a founding director of Family Business Australia Ltd and the Melbourne Community Foundation, and is a past member of the Epworth Medical Foundation.

JA (TONY) KILLEN

Director

Dip.AII, FAICD, FAIM

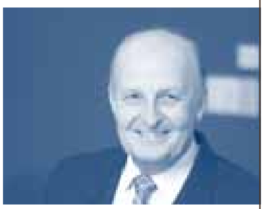
Non-Executive Director since September 2002

Chairman of Equity Trustees' Remuneration Committee

Previously the group managing director and chief executive officer of the listed insurance and funds management company, AXA Asia Pacific Holdings Ltd, Tony had a 36-year career with the National Mutual/AXA group.

An alumnus of the Sloan School of Management, MIT, Boston, Massachusetts, he is chairman of Australia's largest not for profit health services provider, Sisters of Charity Health Service Ltd, is a non-executive director of Catholic Church Insurances Ltd, and a non-executive director of listed companies, IRESS Market Technology Ltd and Templeton Global Growth Fund Ltd.

Tony is a former chairman of St Vincent's Hospital Melbourne Ltd, a former director of St Vincent's Institute of Medical Research and a past president of the WA Insurance Institute.



BARRY JACKSON

Director

B.Com (Hons), MAICD

Non-Executive Director since September 2002

Member of Equity Trustees' Remuneration Committee

Barry is a former managing director of Pacifica Group Limited and chief executive of BTR Nylex's Building Products Group, with more than 30 years' experience in manufacturing and industrial marketing. He is a director of Alesco Corporation Limited, CSR Limited, PaperlinX Limited and St Vincent's Institute of Medical Research.

ROSS ILLINGWORTH

Director

B.Bus (HR), GAICD, CFP

Non-Executive Director since March 2003

Member of Equity Trustees' Audit & Compliance Committee since April 2003

Ross is Senior Vice President, Investments, Citigroup Wealth Advisors. Having worked in the stockbroking industry since 1986, he has had extensive experience in institutional dealing, charitable foundations, investment companies, capital markets and high net worth private clients. He is a graduate of the Institute of Company Directors and a Certified Financial Planner with the Financial Planning Association.

Ross is also a director of the Sir Robert Menzies Memorial Foundation Ltd and a member of its Investment Committee. He is a member of the Greater Melbourne Foundation, Victoria's Lord Mayor's Charitable Fund (Investment Committee) and The Howard Florey Institute (Corporate and Major Gifts Committee).

DIRECTORS' REPORT

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

The directors of Equity Trustees Limited submit herewith the annual financial report for the financial year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of directors of the company during or since the end of the financial year are:

Philip G Molyneux, Chairman

Peter J Williams, Managing Director

David F Groves

John R McConnell

Barry J Jackson

JA (Tony) Killen

Ross A Illingworth

Details of directorships and experience are summarised on pages 25 and 26.

COMPANY SECRETARY

Mr Terry Ryan, Chartered Accountant, held the office of Company Secretary during and since the end of the financial year. Mr Ryan joined Equity Trustees Limited in 2003 and previously held senior finance, administration and secretarial roles in the financial services industry and is a member of the Institute of Chartered Accountants and the Institute of Securities, Banking and Finance.

PRINCIPAL ACTIVITIES

The principal activities of the Equity Trustees Group during the course of the financial year were the provision of services as trustee, executor, administrator, attorney and agent, tax agent, custodian, fiduciary and agency services, funds management and superannuation.

REVIEW OF OPERATIONS

For a review of operations refer to the Managing Director's report.

CHANGES IN THE STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the directors announced that a capital raising of approximately $9 million, consisting of a share placement and share purchase plan (SPP).

The new capital, amounting to 15%, or approximately 970,000 shares will be used for future growth/acquisition, increased leverage of existing businesses, interstate expansion and further improve the groups balance sheet.

Apart from the above and any matters referred to in the financial statements or notes thereto, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

FUTURE DEVELOPMENTS

Apart from the introduction of Australian equivalents to International Financial Reporting Standards (A-IFRS) as outlined in note 39 to the financial statements, the subsequent event noted above and matters disclosed in the financial statements, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

DIVIDENDS

In respect of the financial year ended 30 June 2004:

i. An interim dividend of 10 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 5 April 2004.

ii. A final dividend of 20 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 6 October 2004.

In respect of the financial year ended 30 June 2005:

iii. An interim dividend of 15 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 12 April 2005.

iv. Subsequent to 30 June 2005, the directors declared a final dividend of 25 cents per share, franked to 100% at 30% corporate income tax rate, payable to holders of fully paid ordinary shares on 10 October 2005.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors, company secretary and officers of the company and its controlled entities against a liability incurred as such a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a director, an officer or auditor of the company or any related body corporate against a liability incurred as such a director, an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 board meetings, 13 committee of the board, 3 remuneration and 12 audit & compliance committee (A&CC) meetings were held.

Directors in Attendance	Board Meetings		Committee of the Board [1]		Remuneration Committee		Audit & Compliance Committee	
	Eligible to Attend [2]	Attended	Eligible to Attend [2]	Attended	Eligible to Attend [2]	Attended	Eligible to Attend [2]	Attended
PG Molyneux	13	13	7	7	3	3	–	–
PJ Williams	13	12	13	13	–	–	12	8
DF Groves	13	12	6	6	–	–	12	12
JR McConnell	13	12	6	6	–	–	12	12
BJ Jackson	13	13	6	6	3	3	–	–
JA Killen	13	12	4	4	3	3	–	–
RA Illingworth	13	13	11	11	–	–	12	11

[1] Committee of the board meetings are constituted by at least any two directors acting pursuant to the authority of the full board.

[2] Meetings held that the director was eligible to attend whilst holding office.

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares. All shares are fully paid ordinary shares. The movement of shareholdings during the year ended 30 June 2005 is summarised in note 6 to the financial statements.

Director	Number of Shares held as at 30 June 2005
DF Groves	149,663
RA Illingworth	40,529
JR McConnell	15,963
BJ Jackson	10,000
PG Molyneux	5,543
JA Killen	3,039
PJ Williams	1,042

SHARE OPTIONS

No options over unissued shares were granted during the financial year and no options have been granted in the period between the end of the financial year and the date of this report.

REMUNERATION REPORT

Remuneration packages contain the following key elements:

i. Salary/fees;

ii. Performance incentives (executives only);

iii. Non-Monetary – includes parking benefit;

iv. Superannuation – superannuation guarantee charge (SGC);

v. Other – directors retiring allowance (DRA); and

vi. Shares – shares issued under the Employee Share Acquisition Plan.

Remuneration of all specified executives is reviewed on an annual basis by the Remuneration Committee and determined with regard to current market rates. The quantum of remuneration, including bonuses, is established taking into account the overall cost structure of the group and the trading performance of the group, including earnings per share and dividends.

Performance incentives are calculated by reference to agreed key performance indicators in relation to the group's trading performance for the year ended 30 June 2005. These include profitability, expense control, revenue growth and other performance criteria specific to the respective executive's responsibilities. In all cases the Remuneration Committee confirms the appropriateness of the criteria and confirms the level of achievement. Where applicable, executive performance incentives relating to the year ended 30 June 2005 were accrued at year end and were paid in August 2005. The original grant date for executive performance incentive arrangements was 2 October 2003. Performance criteria for the year ended 30 June 2005 were confirmed on 1 April 2005 and there were no alterations to terms or conditions since that date.

2005

Specified Directors		Primary		Post Employment	Other	Total
Name	Fee/ Salary $	Performance Incentive $	Non-Monetary $	Super-annuation $	DRA* $	$
Non-executive directors						
PG Molyneux, Chairman	55,000	–	–	4,950	17,875	**77,825**
DF Groves	39,000	–	–	3,510	45,107	**87,617**
JR McConnell	39,000	–	–	3,510	27,430	**69,940**
BJ Jackson	35,000	–	–	3,150	11,667	**49,817**
JA (Tony) Killen	35,000	–	–	3,150	11,667	**49,817**
RA Illingworth	39,000	–	–	3,510	13,000	**55,510**
Executive Director						
PJ Williams, Managing Director	236,704	69,650	6,671	11,585	–	**324,610**
Total Specified Directors' Remuneration	**478,704**	**69,650**	**6,671**	**33,365**	**126,746**	**715,136**

* DRA represents an accrual for directors' retiring allowance and is calculated in accordance with the accounting policy. Refer to note 1(f).

REMUNERATION REPORT cont.

2004

Specified Directors	Primary			Post Employment	Other	Total
Name	Fee/ Salary $	Performance Incentive $	Non-Monetary $	Super-annuation $	DRA* $	$
Non-executive directors						
PG Molyneux, Chairman	55,000	–	–	4,950	25,687	**85,637**
DF Groves	39,000	–	–	3,510	29,127	**71,637**
JR McConnell	39,000	–	–	3,510	13,000	**55,510**
BJ Jackson	35,000	–	–	3,150	11,667	**49,817**
JA (Tony) Killen	35,000	–	–	3,150	11,667	**49,817**
RA Illingworth	39,111	–	–	3,520	13,000	**55,631**
Executive Director						
PJ Williams, Managing Director	224,772	80,495	6,750	11,002	–	**323,019**
Total Specified Directors' Remuneration	**466,883**	**80,495**	**6,750**	**32,792**	**104,148**	**691,068**

* DRA represents an accrual for directors' retiring allowance and is calculated in accordance with the accounting policy. Refer to note 1(f).

During or since the financial year, no director of the company has received or become entitled to receive a benefit because of a contract that the director or a firm of which the director is a member or an entity in which the director has a substantial financial interest made with the company or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or the director received, or became entitled to receive the benefits except for a benefit included in the aggregate amount of emoluments received, or due and receivable by the director shown in this report or the financial statements.

The following table discloses the highest remunerated specified executives of Equity Trustees Limited Group during the year, together with remuneration entitlements:

2005

Specified Executives	Primary			Post Employment	Equity	Total
Name	Fee/ Salary $	Performance Incentive $	Non-Monetary $	Super-annuation $	Shares $	$
T Ryan, CFO & Company Secretary	180,984	39,191	6,829	11,585	997	**239,586**
HH Kalman, GM & CIO – Funds Management	181,133	36,879	6,711	11,585	997	**237,305**
RP Dillon, Managing Director – Wealthpac	176,000	44,000	–	–	–	**220,000**
PM Maddox, GM – Corporate Trusts & RE Services	161,753	30,096	6,711	11,585	997	**211,142**
GW Smith, GM – Operations	139,036	29,755	6,810	12,523	997	**189,121**
SR Manuell, GM – Private Clients	146,289	28,914	567	11,585	997	**188,352**
Total Specified Executives' Remuneration	**985,195**	**208,835**	**27,628**	**58,863**	**4,985**	**1,285,506**

2004

Specified Executives	Primary			Post Employment	Equity	Total
Name	Fee/ Salary $	Performance Incentive $	Non-Monetary $	Super-annuation $	Shares $	$
T Ryan, CFO & Company Secretary	172,271	42,000	6,810	11,002	996	**233,079**
HH Kalman, GM & CIO – Funds Management	169,761	42,000	6,589	11,002	996	**230,348**
RP Dillon, Managing Director – Wealthpac	176,000	44,000	–	–	–	**220,000**
PM Maddox, GM – Corporate Trusts & RE Services	160,713	13,011	6,757	11,002	996	**192,479**
SR Manuell, GM – Private Clients	134,045	25,000	6,421	11,002	996	**177,464**
GW Smith, GM – Operations	132,308	25,000	6,300	11,908	996	**176,512**
Total Specified Executives' Remuneration	**945,098**	**191,011**	**32,877**	**55,916**	**4,980**	**1,229,882**

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 8 to the financial statements.

AUDITORS' INDEPENDENCE DECLARATION

The auditors' independence declaration is included on page 32 of the financial report.

STATUTORY TRUSTEE

Equity Trustees Limited is authorised by the law of the state of Victoria to take in its name a Grant of Probate of the will of a deceased person. Assets and liabilities of trusts, estates and agencies for which the company acts as trustee, executor or agent, are not included in the company's financial statements.

RESERVE FUND

The provisions of the Trustee Companies Act 1984 which require the creation of a reserve fund to be set aside by statutory trustee companies have been complied with and are reflected in the company's financial statements.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors

Peter J Williams

Managing Director

Dated 7 September 2005

DECLARATION OF AUDITORS' INDEPENDENCE

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Equity Trustees Limited
575 Bourke Street
MELBOURNE VIC 3000

Dear Board Members

Equity Trustees 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 Equity Trustees Limited.

As lead audit partner for the audit of the financial statements of Equity Trustees Limited for the financial year ended 30 June 2005, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants

7 September 2005

REVIEW OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		$	$	$	$
Revenue from ordinary activities	2	**21,593,452**	**19,621,667**	**18,234,264**	**16,767,633**
Payroll expenses		**(10,153,473)**	(9,212,499)	**(8,253,388)**	(7,624,452)
Finance expenses		**(116,315)**	(292,079)	**(52,365)**	(231,808)
Insurance expenses		**(708,126)**	(740,173)	**(625,280)**	(650,292)
Professional service fees		**(1,179,619)**	(401,647)	**(1,162,750)**	(388,351)
Occupancy expenses		**(1,053,226)**	(1,084,793)	**(910,107)**	(905,174)
Advertising expenses		**(750,608)**	(452,623)	**(737,566)**	(431,847)
Computer expenses		**(1,001,073)**	(916,753)	**(954,869)**	(865,028)
General expenses		**(411,165)**	(589,304)	**(297,475)**	(462,486)
Writedown of goodwill		**–**	(44,282)	**–**	(44,282)
Value of fixed assets, investments sold		**(1,008,576)**	(2,182,346)	**(1,008,576)**	(2,182,346)
Writeback of investment provision		**67,000**	58,000	**67,000**	58,000
Total expenses		**(16,315,181)**	**(15,858,499)**	**(13,935,376)**	**(13,728,066)**
Profit from ordinary activities before income tax expense		**5,278,271**	**3,763,168**	**4,298,888**	**3,039,567**
Income tax expense relating to ordinary activities	4	**(1,580,035)**	(952,212)	**(1,285,123)**	(723,782)
Profit from ordinary activities after related income tax expense		**3,698,236**	**2,810,956**	**3,013,765**	**2,315,785**
Net profit attributable to members of the Parent Entity		**3,698,236**	**2,810,956**	**3,013,765**	**2,315,785**
Total changes in equity other than those resulting from transactions with owners as owners	27	**3,698,236**	**2,810,956**	**3,013,765**	**2,315,785**
Earnings per share					
– Basic (cents per share)	28	57.58	45.52		

Notes to the Financial Statements are included on pages **37** to **60**.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Notes	Consolidated		Company	
		2005 $	2004 $	2005 $	2004 $
Current assets					
Cash	36(a)	995,419	909,507	241,961	271,526
Receivables	9	3,607,445	2,651,448	3,436,089	2,501,527
Other financial assets	10	9,258,706	5,615,601	9,258,706	5,615,601
Total current assets		**13,861,570**	**9,176,556**	**12,936,756**	**8,388,654**
Non-current assets					
Receivables	11	192,610	256,930	2,038,735	2,762,333
Other financial assets	12	904,158	1,136,020	904,170	1,136,032
Intangibles	16	5,193,050	5,193,050	–	–
Property, plant and equipment	15	1,349,776	1,023,426	1,301,175	980,259
Deferred tax assets	17	747,598	594,087	747,598	594,087
Total non-current assets		**8,387,192**	**8,203,513**	**4,991,678**	**5,472,711**
Reserve fund					
Financial assets	14	5,100,000	4,700,000	5,100,000	4,700,000
Total reserve fund		**5,100,000**	**4,700,000**	**5,100,000**	**4,700,000**
Total assets		**27,348,762**	**22,080,069**	**23,028,434**	**18,561,365**
Current liabilities					
Payables	18	2,106,706	1,359,582	1,893,849	1,204,681
Provisions	20	866,833	658,387	769,146	614,928
Other	21	2,783,929	272,731	187,404	272,731
Current tax liability	19	1,694,564	196,999	1,694,564	196,999
Total current liabilities		**7,452,032**	**2,487,699**	**4,544,963**	**2,289,339**
Non-current liabilities					
Provisions	22	666,385	492,891	642,224	473,699
Other non-current liabilities	23	34,995	2,631,520	124,502	124,502
Total non-current liabilities		**701,380**	**3,124,411**	**766,726**	**598,201**
Total liabilities		**8,153,412**	**5,612,110**	**5,311,689**	**2,887,540**
Net assets		**19,195,350**	**16,467,959**	**17,716,745**	**15,673,825**
Equity					
Contributed equity	25	14,109,415	12,849,247	14,109,415	12,849,247
Reserves	26	1,754,201	1,754,201	1,754,201	1,754,201
Retained earnings	27	3,331,734	1,864,511	1,853,129	1,070,377
Total equity		**19,195,350**	**16,467,959**	**17,716,745**	**15,673,825**

Notes to the Financial Statements are included on pages **37** to **60**.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Notes	Consolidated Inflow/(outflow)		Company Inflow/(outflow)	
		2005 $	2004 $	2005 $	2004 $
Cash flows from operating activities					
Fees and commissions received from customers		**18,926,589**	16,669,252	**14,699,789**	13,610,682
Payments to suppliers and employees		**(15,064,965)**	(13,079,307)	**(11,904,344)**	(11,029,679)
Dividends received		**358,291**	237,327	**358,291**	237,327
Interest received		**668,895**	387,420	**643,889**	370,566
Interest paid		**(147,414)**	(133,126)	**(147,414)**	(133,126)
Income tax (paid)/received		**(235,979)**	128,855	**(235,979)**	146,425
Net cash provided by/(used in) operating activities	36(b)	**4,505,417**	**4,210,421**	**3,414,232**	**3,202,195**
Cash flows from investing activities					
Payment for property, plant and equipment		**(486,917)**	(720,430)	**(465,278)**	(673,221)
Proceeds from sale of property, plant and equipment		**–**	5,268	**–**	5,268
Payment for investment securities		**(1,059,802)**	(755,336)	**(1,059,802)**	(755,336)
Proceeds on sale of investment securities		**1,988,824**	1,831,495	**1,988,824**	1,831,495
Repayment of loans to company		**2,340**	28,095	**956,409**	28,095
Receipts of other loans		**–**	–	**–**	638,400
Net cash provided by/(used in) investing activities		**444,445**	**389,092**	**1,420,153**	**1,074,701**
Cash flows from financing activities					
Dividends paid		**(2,231,013)**	(619,914)	**(2,231,013)**	(619,914)
Proceeds from issue of equity securities under the DRP		**1,260,168**	619,914	**1,260,168**	619,914
Net cash provided by/(used in) financing activities		**(970,845)**	**–**	**(970,845)**	**–**
Net increase/(decrease) in cash held		**3,979,017**	**4,599,513**	**3,863,540**	**4,276,896**
Cash at beginning of financial year		**8,825,108**	**4,225,595**	**8,187,127**	**3,910,231**
Cash at end of financial year	36 (a)	**12,804,125**	**8,825,108**	**12,050,667**	**8,187,127**

Notes to the Financial Statements are included on pages **37** to **60**.

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law. The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative Amounts

Comparative amounts have, where appropriate, been reclassified in the notes to the financial statements in order to ensure compatibility with amended classifications in the current reporting period. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/(loss) of the company or economic entity as reported in the prior financial report.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts Payable

Trade payables and other payables are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(d) Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life.

The following estimated useful lives are used in the calculation of depreciation.

– Computers & other peripherals	2 – 4 years
– Computer Software & Development	2.2 – 5 years
– Office Furniture & Equipment	3 – 7 years
– Artwork	7 – 83 years

(e) Estate and Trust Liabilities

Equity Trustees Limited is an entity specified in the Second Schedule to the Trustee Companies Act 1984 and is also defined as an Authorised Trustee Corporation in Section 9 of the Corporations Act 2001 and was incorporated in Victoria. Pursuant to Class Order 98/105 dated 10th July 1998 made under sub-section 341 to the Corporations Act 2001, the parent entity is relieved from the requirements of paragraphs 4.1 to 6.6 of AASB 1033 `Presentation and Disclosure of Financial Instruments', paragraphs 4.1 to 5.3 and 7.1 to 8.4 of AASB 1040 "Statement of Financial Position" and paragraphs 4.1 to 6.6 of AASB 1034 'Information to be disclosed in Financial Reports' in relation to the disclosure in the Financial Statements or consolidated Financial Statements of:

(i) Liabilities incurred by the parent entity whilst acting as trustee or in any representative capacity where the parent entity has a valid and subsisting right of indemnity out of any assets which are sufficient to satisfy such right of indemnity; and

(ii) Assets, consisting of the nature and amount from which the parent entity has a right of indemnity in respect of liabilities referred to in (i).

(f) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of wages, salaries, annual leave and long service leave expected to be settled within 12 months are measured at their nominal values.

Provisions made in respect of long service leave which are not expected to be settled in 12 months are measured as the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

The directors retirement allowance is calculated on the directors fees paid in the preceeding three years. A retirement benefit is provided for on a pro-rata basis up to the first five years of continuous service, after which the full benefit is payable to a maximum of three years retirement benefit.

(g) Financial Instruments

The economic entity does not enter into any derivative financial instruments. The economic entity invests in various financial instruments which attract a level of interest rate risk. Further details of financial instruments are disclosed in note 37 to the financial statements.

1. Summary of Accounting Policies cont.

(h) Income Tax

Tax effect accounting principles have been adopted whereby income tax (expense)/benefit has been calculated on pre-tax accounting profits/(loss) after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at appropriate taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

During the year ended 30 June 2003, the directors elected that all wholly-owned Australian entities would join a tax consolidated group. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax consolidated group are recognised in the financial statements of the parent entity. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and subsidiary entities made in accordance with the agreement. No entity has joined or left the Equity Trustees Consolidated Group during the financial year ended 30 June 2004 or 2005.

Further information about the tax sharing agreement is detailed in note 4 to the financial statements. The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from or to subsidiary entities in accordance with the tax sharing agreement as these amounts are recognised as intercompany receivables and payables.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except;

i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Investments

Investments in controlled entities are recorded at cost. Marketable securities held as non-current assets or in the reserve fund are valued at cost less, where appropriate, a writedown to recoverable amount. In assessing the recoverability of these assets the directors take into consideration the intention of the company to hold them on a long term basis. Marketable securities held as current assets for trading purposes are valued at current market value. Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(k) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 `Consolidated Accounts'. A list of controlled entities appears in note 33 to the financial statements. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions and unrealised profits arising within the economic entity are eliminated in full.

(l) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(m) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount when the carrying value of any non-current asset exceeds the recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(n) Revenue Recognition

Corpus Commission

Subject to a grant of Probate, corpus commission is recognised as revenue based upon stage of completion.

Sale of Goods and Disposable Assets

Revenue from the sale of goods and disposal of other assets is recognised when the economic entity has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Other Fees and Commissions

Revenue from fees and commissions are brought to account when legally due and are recognised on an accrual basis so as to reflect a full 12 months of transactions. Revenue not received at balance date is reflected in the balance sheet as a receivable.

(o) Management Rights

Management rights relating to the acquisition of the Wealthpac mastertrust business are carried at cost as a non-current intangible asset. The asset has an indefinite useful life and is accordingly not amortised but is subject to an ongoing impairment test to confirm the carrying value.

1. Summary of Accounting Policies cont.

(p) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

The consolidated entity has not entered into any finance leases.

(q) Provisions

Provisions are recognised when the economic entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(r) Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors before the reporting date.

(s) Australian Equivalents to International Financial Reporting Standards (A-IFRS)

Refer to note 39.

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
2. Profit from Ordinary Activities				
The profit from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating revenue				
Revenue:				
Commission and fees	**18,717,529**	16,022,336	**15,420,106**	13,250,642
Rental revenue:				
Other rental revenue	**41,758**	65,486	**5,000**	–
Dividends:				
Other entities	**358,291**	296,462	**358,291**	296,462
Interest revenue:				
Other entities	**685,206**	387,420	**660,199**	370,566
Total operating revenue	**19,802,784**	**16,771,704**	**16,443,596**	**13,917,670**
(b) Non-operating revenue				
Proceeds from the sale of assets (note 3):				
Current:				
Investments	**1,775,289**	868,678	**1,775,289**	868,678
Non-current:				
Plant and equipment	**–**	5,268	**–**	5,268
Investments	**15,379**	1,976,017	**15,379**	1,976,017
Total non-operating revenue	**1,790,668**	**2,849,963**	**1,790,668**	**2,849,963**
Total revenue	**21,593,452**	**19,621,667**	**18,234,264**	**16,767,633**

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
2. Profit from Ordinary Activities cont.				
(c) Expenses				
Borrowing cost:				
Interest:				
Directors and director related entities	**73,946**	141,936	**73,946**	141,936
Other entities	**–**	10,669	**–**	10,669
Depreciation of non-current assets:				
Plant and equipment	**151,912**	179,850	**137,674**	173,056
Written down value of fixed assets sold	**–**	23,507	**–**	23,507
Cost of investments sold:	**1,008,576**	2,158,839	**1,008,576**	2,158,839
Amortisation of non-current assets:				
Capitalised software development costs	**6,687**	95,473	**6,687**	95,473
Writedown/(writeback) to recoverable amount of:				
Investments	**(67,000)**	(58,000)	**(67,000)**	(58,000)
Goodwill	**–**	44,282	**–**	44,282
Doubtful debts/bad debts – third party	**(71,734)**	41,128	**(71,734)**	41,128
Operating lease rental expenses:				
Minimum lease payments	**402,445**	441,777	**342,229**	385,604
(d) Significant expenses				
Legal fees (note 32)	**829,480**	88,945	**826,611**	87,601
3. Sale of assets				
Sale of assets in the ordinary course of business have given rise to the following profits and losses:				
Net profits:				
Property, plant and equipment	**–**	4,115	**–**	4,115
Investments	**830,943**	685,856	**830,943**	685,856
	830,943	**689,971**	**830,943**	**689,971**
Net losses:				
Property, plant and equipment	**–**	22,354	**–**	22,354
Investments	**48,851**	–	**48,851**	–
	48,851	**22,354**	**48,851**	**22,354**

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
4. Income tax				
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit from ordinary activities	**5,278,271**	**3,763,168**	**4,298,888**	**3,039,567**
Income tax expense calculated at 30% of profit from ordinary activities	**(1,583,481)**	**(1,128,950)**	**(1,289,666)**	**(911,870)**
Permanent differences:				
Other non-allowable items	(272,367)	(82,289)	(271,388)	(70,939)
Writeback of investment provision	20,100	17,400	20,100	17,400
Franking credits	97,360	78,659	97,360	78,659
Prior year adjustment	158,353	162,968	158,471	162,968
	3,446	**176,738**	**4,543**	**188,088**
Income tax expense attributable to profit from ordinary activities	**(1,580,035)**	**(952,212)**	**(1,285,123)**	**(723,782)**

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was enacted in 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

The directors elected for those entities within the consolidated entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2002. The adoption of the tax consolidation system has been formally notified to the Australian Taxation Office. The head entity within the tax consolidated group for the purpose of the tax consolidation system is Equity Trustees Limited. No entity has joined or left the Equity Trustees Consolidated Group during the 2005 financial year (2004: nil).

Entities within the tax consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Equity Trustees Limited and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

5. Directors' and Executives' Remuneration

The remuneration of specified directors and executives for the year ended 30 June 2005 is outlined in the Directors' Report.

6. Related Party and Specified Executive Disclosures

(a) Specified directors' and specified executives' remuneration and retirement benefits

Details of directors remuneration and retirement benefits are disclosed in the Directors' Report.

(b) Specified directors' and specified executives' equity holdings

The movement of shareholdings in Equity Trustees Limited during the year by specified directors and specified executives, or their personally related entities was:

	Holdings of Fully Paid Ordinary Shares					
	Balance at 30 June 2004	Change in relevant interest via a related party	Issued under employee share acquisition plan	Issued under dividend reinvestment plan	Purchased (sold) during year	Balance at 30 June 2005
2005						
Specified Directors						
P G Molyneux	5,543	–	–	–	–	5,543
P J Williams	1,014	–	–	28	–	1,042
D F Groves	130,163	9,351	–	149	10,000	149,663
J R McConnell	15,567	–	–	396	–	15,963
B J Jackson	10,000	–	–	–	–	10,000
J A Killen	3,039	–	–	–	–	3,039
R A Illingworth	40,529	–	–	–	–	40,529
Specified Executives						
T Ryan	328	–	89	–	–	417
H H Kalman	630	–	89	19	140	878
R P Dillon	138,905	–	–	53	(136,927)	2,031
P B Maddox	326	–	89	–	–	415
S R Manuell	326	–	89	–	–	415
G W Smith	326	–	89	–	–	415

(c) Other transactions with specified directors and specified executives

There were no other transactions during the year ended 30 June 2005 with specified directors and specified executives, or their personally related entities (2004: nil transactions).

(d) Transactions with other related parties

A controlled entity acts as trustee for the Wealthpac Super Access Fund from which it receives administration fees. These fees are contractually agreed with members based on a percentage of assets under administration.

During the year the following amounts were paid to an entity associated with R P Dillon, a director of a controlled entity:

- operating lease payments of $60,216 (2004: $56,173).
- interest paid/payable of $73,946 (2004: $141,936) relating to the acquisition of the Wealthpac business.

During the year the Wealthpac Master Trust paid an entity associated with R P Dillon, a director of a controlled entity:

- consulting fees of $Nil (2004: $13,662)

During the year Mr Illingworth, a director of the parent entity, was employed by a stockbroker who is part of a panel of stockbrokers providing stockbroking services for clients of the economic entity. Mr Illingworth does not personally provide these services.

All related party transactions took place on normal commercial terms and conditions.

6. Related Party and Specified Executive Disclosures cont.

(e) Controlling entities

The parent entity in the economic entity is Equity Trustees Limited.

(f) Investments in Managed Investment Schemes

Included in the investment portfolio of the company are interest bearing investments in managed investment schemes where the company acts as responsible entity. These investments are made on normal commercial terms and conditions. Refer also to note 37 (c).

7. Employee Share Acquisition Plan

An employee share acquisition plan is in place to allow eligible employees to participate in share acquisitions and allotments as approved by the board on an on-going basis as deemed appropriate.

In accordance with the terms of the Employee Share Acquisition Plan, each eligible employee was offered 89 (2004: 138) ordinary fully paid shares in Equity Trustees Limited, representing a value not exceeding $1,000.

The fair value of shares, $95,693 (2004: $87,680), was determined based on the Equity Trustee Limited share price ($11.20) at 5pm on Monday 27 June 2005 and the shares were issued on 28 June 2005 for no consideration.

The total number of shares issued under the plan was 8,544 (2004: 12,144). Refer to note 25.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
8. Remuneration of Auditors				
Auditing the financial report	165,132	149,744	144,232	131,599
Other services				
Regulatory & statutory returns	38,365	50,798	38,365	43,325
Tax	47,213	19,500	47,213	19,500
Accounting advice	–	27,500	–	27,500
	250,710	247,542	229,810	221,924
9. Current Receivables				
Trade receivables	2,704,210	1,854,552	2,579,764	1,746,159
Provision for doubtful debts	(66,371)	(146,471)	(66,371)	(146,471)
	2,637,839	1,708,081	2,513,393	1,599,688
Prepayments	391,105	360,631	344,195	319,103
Corpus commission earned but not collected	578,501	582,736	578,501	582,736
	3,607,445	2,651,448	3,436,089	2,501,527
10. Other Current Financial Assets				
At cost:				
Short term deposits	9,258,706	5,615,601	9,258,706	5,615,601
11. Non-Current Receivables				
Intercompany loans	–	–	1,846,125	2,505,403
Corpus commission earned but not collected	192,610	256,930	192,610	256,930
	192,610	256,930	2,038,735	2,762,333

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
12. Other Non-Current Financial Assets				
At cost:				
Quoted investments	956,923	1,253,826	956,923	1,253,826
Provision for writedown to recoverable amount	(60,000)	(127,000)	(60,000)	(127,000)
	896,923	1,126,826	896,923	1,126,826
Non-quoted investments – shares in controlled entities (note 33)	–	–	12	12
Loans and mortgages	7,235	9,194	7,235	9,194
	904,158	1,136,020	904,170	1,136,032

13. Reserve Fund

The Trustee Companies Act 1984, Section 36, requires that a Reserve Fund be provided, the value of which shall not be less than five-tenths of one percentum of the value of that part of the trust estates in Victoria committed to the administration of the trustee company and five-tenths of one percentum of the value of money received in Victoria for investment in a Common Fund to which Section 4 (1)(m) of the Trustee Act 1958 applies.

Section 39 (3) of the Act provides that:

In the event of the appointment of a liquidator, a receiver, a receiver and manager or an official manager of a trustee company, moneys in its reserve fund are available for the following purposes:

(a) First, for the payment of sums due from the trustee company to estates committed to the trustee company's administration or management in Victoria;

(b) Secondly, for the payment of sums due from the trustee company to persons in respect of moneys (not being an estate or part of an estate) paid in Victoria to the trustee company for investment in a common fund;

(c) Thirdly, for the payment of sums due from the trustee company to estates committed to the trustee company's administration of management outside Victoria;

(d) Fourthly, for the payment of sums due from the trustee company to persons in respect of moneys (not being an estate or part of an estate) paid outside Victoria to the trustee company for investment in a common fund; and

(f) Fifthly, for the payment of debts of the trustee company.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
14. Reserve Fund Investments				
Short term deposits	2,550,000	2,300,000	2,550,000	2,300,000
Quoted investments	2,550,000	2,400,000	2,550,000	2,400,000
	5,100,000	4,700,000	5,100,000	4,700,000

The above investments have been appropriated to the Reserve Fund which is in excess of the Reserve Liability requirements of the Company pursuant to Section 36 of the Trustee Companies Act 1984.

The Reserve Fund calculation as at 30 June 2005 is $5,085,060.

	Consolidated			Company		
	Computers & Software $	Office Furn. & Equipment $	**Total $**	Computers & Software $	Office Furn. & Equipment $	**Total $**
15. Property, Plant & Equipment						
Gross carrying amount						
Balance at 30 June 2004	1,804,882	681,960	**2,486,842**	1,804,882	631,909	**2,436,791**
Additions	442,603	42,346	**484,949**	442,603	22,674	**465,277**
Balance at 30 June 2005	2,247,485	724,306	**2,971,791**	2,247,485	654,583	**2,902,068**
Accumulated depreciation						
Balance at 30 June 2004	(1,171,338)	(292,078)	**(1,463,416)**	(1,171,338)	(285,194)	**(1,456,532)**
Depreciation expense	(72,597)	(86,002)	**(158,599)**	(72,597)	(71,764)	**(144,361)**
Balance at 30 June 2005	(1,243,935)	(378,080)	**(1,622,015)**	(1,243,935)	(356,958)	**(1,600,893)**
Net book value						
As at 30 June 2004	633,544	389,882	**1,023,426**	633,544	346,715	**980,259**
As at 30 June 2005	1,003,550	346,226	**1,349,776**	1,003,550	297,625	**1,301,175**

	Consolidated		Company	
	2005 $	2004 $	**2005 $**	2004 $
16. Intangibles				
Management rights	**5,193,050**	5,193,050	–	–
	5,193,050	5,193,050	–	–

The management rights acquired in 2003, have been carried at cost in accordance with the accounting policy outlined in note 1(o).

Effective 1 January 2003, economic entity acquired the management rights relating to the Wealthpac mastertrust business. The purchase price of the mastertrust business is payable by an initial tranche payment of cash and shares. Subsequent tranche payments, after the initial three year period, will depend on trading performance over the period. The performance criteria is based on profitability and growth in funds under management. At 30 June 2005 recognition was made of the first two tranche payments totalling $5,193,050, on the basis that, at this stage, there is reasonable probability of these payments being made. As the performance criteria is reassessed over the three year period it may be necessary to acknowledge an increase in the consideration payable, however at this stage such deferred consideration is not quantifiable. Equity Trustees can elect to settle subsequent tranche payments by a combination of cash and shares. The share component will not exceed 50% of each tranche payment. Refer to note 32 for information regarding a contingent liability related to these management rights.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
17. Deferred Tax Assets				
(a) Future income tax benefit				
Timing differences attributable to:				
Parent entity	706,078	566,438	706,078	566,438
Entities in the tax consolidated group (i)	41,520	27,649	41,520	27,649
	747,598	594,087	747,598	594,087
(i) Entities in the tax consolidated group have entered into a tax sharing and contribution agreement. Refer to note 4.				
(b) Future income tax benefits not brought to account as an asset:				
Tax losses – capital	–	240,254	–	240,254
The taxation benefits of tax losses not brought to account will only be obtained if:				
a) assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised;				
b) conditions for deductibility imposed by the law are complied with; and				
c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.				
18. Current Payables				
Trade payables	1,805,541	1,132,899	1,592,684	977,998
FBT payable	13,712	25,000	13,712	25,000
Goods and services tax payable	287,453	201,683	287,453	201,683
	2,106,706	1,359,582	1,893,849	1,203,681
19. Current Tax Liabilities				
Income tax payable attributable to parent entity	1,694,564	196,999	1,694,564	196,999

Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4.

	Consolidated			
	Claims	Donations: Equity Trustees Foundation	Employee Benefits (note 24)	**Total**
	$	$	$	**$**
20. Current Provisions				
Balance at 30 June 2004	135,000	22,000	501,387	**658,387**
Additional provisions recognised	220,000	40,000	–	**260,000**
Reductions arising from payments	–	(22,000)	–	**(22,000)**
Reductions arising from re-measurement of estimated future sacrifices	(135,000)	–	–	**(135,000)**
Other movements	–	–	105,446	**105,446**
Balance at 30 June 2005	220,000	40,000	606,833	**866,833**

	Company			
	Claims	Donations: Equity Trustees Foundation	Employee Benefits (note 24)	**Total**
	$	$	$	**$**
Balance at 30 June 2004	135,000	22,000	457,928	**614,928**
Additional provisions recognised	220,000	40,000	–	**260,000**
Reductions arising from payments	–	(22,000)	–	**(22,000)**
Reductions arising from re-measurement of estimated future sacrifices	(135,000)	–	–	**(135,000)**
Other movements	–	–	51,218	**51,218**
Balance at 30 June 2005	220,000	40,000	509,146	**769,146**

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
21. Other Current Liabilities				
Corpus commission collected but not earned	**187,404**	272,731	**187,404**	272,731
Deferred purchase consideration (note 16 & 32)	**2,596,525**	–	**–**	–
	2,783,929	272,731	**187,404**	272,731
22. Non-Current Provisions				
Employee benefits (note 24)	**257,846**	211,097	**233,685**	191,905
Directors' retiring allowance	**408,539**	281,794	**408,539**	281,794
	666,385	492,891	**642,224**	473,699
23. Other Non-Current Liabilities				
Amounts owing to controlled entity	**–**	–	**89,507**	89,507
Deferred purchase consideration (note 16 & 32)	**–**	2,596,525	**–**	–
Corpus commission collected but not earned	**34,995**	34,995	**34,995**	34,995
	34,995	2,631,520	**124,502**	124,502

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
24. Employee Benefits				
The aggregate employee benefits liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (note 20)				
Annual leave	557,441	436,449	459,754	392,990
Long service leave	49,392	64,938	49,392	64,938
	606,833	501,387	509,146	457,928
Non-current (note 22)				
Long service leave	257,846	211,097	233,685	191,905
	864,679	712,484	742,831	649,833

	Consolidated		Company	
	2005	2004	2005	2004
	No.	No.	No.	No.
Number of employees at end of the financial year	111	99	89	78

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
25. Contributed Equity				
Fully Paid Ordinary Shares				
Balance at beginning of financial year	12,849,247	11,580,197	12,849,247	11,580,197
Issue of shares under dividend reinvestment plan	1,260,168	619,914	1,260,168	619,914
Issue of shares in consideration for acquisition of business	–	649,136	–	649,136
Balance at end of financial year	14,109,415	12,849,247	14,109,415	12,849,247

	Consolidated			
	2005		2004	
	No.	$	No.	$
25. Contributed Equity cont.				
Fully Paid Ordinary Shares				
Balance at beginning of financial year	**6,300,854**	**12,849,247**	6,074,935	11,580,197
Issue of shares under dividend reinvestment plan – 2004 final dividend	**171,452**	**1,260,168**	89,583	619,914
Issue of shares in consideration for acquisition of business	**–**	**–**	124,192	649,136
Issue of shares under employee share acquisition plan (note 7)	**8,544**	**–**	12,144	–
Balance at end of financial year	**6,480,850**	**14,109,415**	6,300,854	12,849,247

Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
26. Reserves				
Reserves comprise:				
Capital profits reserve	**254,201**	254,201	**254,201**	254,201
General reserve	**1,500,000**	1,500,000	**1,500,000**	1,500,000
	1,754,201	1,754,201	**1,754,201**	1,754,201
27. Retained Profits				
Balance at beginning of financial year	**1,864,511**	(326,531)	**1,070,377**	(625,494)
Net profit	**3,698,236**	2,810,956	**3,013,765**	2,315,785
Dividends paid (note 29)	**(2,231,013)**	(619,914)	**(2,231,013)**	(619,914)
Balance at end of financial year	**3,331,734**	1,864,511	**1,853,129**	1,070,377

	Consolidated	
	2005	2004
	cents per share	cents per share
28. Earnings Per Share		
Basic earnings per share	**57.58**	45.52
	No. of shares	No. of shares
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**6,422,678**	6,175,732
	$	$
Earnings used in the calculation of earnings per share	**3,698,236**	2,810,956

Diluted earnings per share is not calculated as no potential ordinary shares are dilutive. If shares are issued to partly settle deferred purchase consideration, as outlined in note 21, those shares will be included in the calculation of earnings per share in future periods.

	Consolidated			
	2005		2004	
	cents per share	$	cents per share	$
29. Dividends				
a) Recognised amounts				
Fully Paid Ordinary Shares				
Final dividend 2004 – franked to 30% (prior year no final 2003 dividend)	20	1,260,168	–	–
Interim dividend 2005 – franked to 30% (prior year interim dividend 2004 franked to 30%)	15	970,845	10	619,914
		2,231,013		619,914

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
b) Adjusted franking account balance @ 30%	3,059,880	3,609,893	3,059,880	3,609,893

Due to the changes in Australian income tax legislation, from 1 July 2002 franking accounts are maintained on a 'tax paid' rather than an 'after tax distributable profits' basis.

30. Superannuation Plans

Name of Plans: The Equity Trustees Staff Retirement Plan and Wealthpac Access Superannuation Fund
During the year the assets of the Equity Trustees Staff Retirement Plan were consolidated into the Wealthpac Access Superannuation Fund. Employees are eligible to participate in accumulation contribution superannuation plans operated by the consolidated entity.

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
31. Commitments for Expenditure				
a) Operating leases				
Not longer than 1 year	903,514	1,026,620	776,624	888,573
Longer than 1 year and not longer than 5 years	2,368,453	2,788,883	2,368,453	2,788,883
Longer than 5 years	–	330,463	–	330,463
	3,271,967	4,145,966	3,145,077	4,007,919

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
31. Commitments for Expenditure cont.				
Leasing arrangements				
i) There are two non-cancellable property leases with rent payable in advance as follows:				
Expiring 14 December 2009 with lease payment increases of 5% p.a. and an option to renew at the end of the period for a further seven years. Expiring April 2006 with lease payments based on fixed amounts.				
ii) A number of equipment leases are in existence with expiry dates to June 2008.				
Sub leases				
A subsidiary has entered into a sub lease, where future minimum lease receipts are expected as follows:				
Not longer than 1 year	–	48,687	–	–
	–	48,687	–	–
b) Other expenditure commitments				
Not longer than 1 year	**141,650**	245,412	**141,650**	245,412
	141,650	245,412	**141,650**	245,412

32. Contingent Liabilities

A controlled entity has a contingent liability of $20,000 relating to a bank guarantee for a performance bond in relation to the holding of an Australian Financial Services licence. The parent entity has a contingent liability of $500,000 relating to a bank guarantee in relation to its non-broker participation with the Australian Stock Exchange, and $47,745 in relation to a performance bond for a controlled entity's building lease. This is unchanged from 2004.

The following contingent liabilities have first been identified during the 2005 financial year.

During the period the company received a claim for an error or omission in relation to the handling of an estate. The directors believe that the claim is not supported and therefore no liability has been recorded in the financial statements during the period to 30 June 2005.

During the 2002 financial year Equity Trustees Limited entered into an 8 year lease for its premises at 575 Bourke Street. The lease agreement includes a requirement that the premises to be returned to an open plan state at the end of the lease. However, there are a number of uncertainties that impact the quantification of the amount and timing of the potential liability to restore the premises. These uncertainties include the term of the lease including lease extensions, the likelihood of the premises being taken over by a new tenant without substantial restoration being required and the ability to accurately estimate the cost of the likely level of restoration required. If substantial restoration is required the directors estimate the contingent liability may range from $500,000 to $800,000.

Apart from the above, a dispute has arisen in relation to the acquisition of the Wealthpac business resulting in the commencement of legal action by the company in the Supreme Court of Victoria. The dispute relates to the formulae contained in the Business Sale Agreement. It is the view of the company that the formulae should be rectified to ensure that a 15% per annum return on investment is achieved based on the Wealthpac adjusted pretax profit generated during the three year buy-out period. An amount of $2.596 million is recorded as a liability at 30 June 2005, which when added to the amount of $2.596 million already paid, equates to a total cost of $5.193 million. This amount closely equates to the estimated amount to be paid in accordance with the rectified formulae. The disputed amount, in excess of $5.193 million recorded in the financial statements, is estimated in the range of $14 to $16 million, although this is impacted by factors such as market movements, Wealthpac profitability and funds growth over the remainder of the three year buy-out period, which concludes at 31 December 2005.

Legal fees have been incurred to date and an accrual made for estimated legal fees to complete the case.

It is the directors' view that there are strong reasons to support the rectification claim. Based on this view, the directors believe that the liability to the Wealthpac vendors is correctly recorded as at 30 June 2005.

	Percentage of shares held	
	2005 %	2004 %
33. Controlled Entities		
Parent Entity		
Equity Trustees Limited		
ABN 46 004 031 298 (Incorporated in Australia)		
Controlled Entities: (All incorporated in Australia)		
Equity Nominees Limited	100	100
Equity Investment Management Limited	100	100
Wealthpac Australia Limited	100	100

	Total	
	2005 $	2004 $
34. Segment Information		
(a) Business segments		
Segment revenues		
Funds Management	9,730,383	8,782,692
Trustee Services	9,048,911	7,268,130
Total of all segments	18,779,294	16,050,822
Unallocated [1]	2,814,158	3,570,845
Consolidated revenues	21,593,452	19,621,667
[1] Unallocated includes the following:		
Investments in shares	1,790,668	2,844,695
Other	1,023,490	726,150
Total unallocated	2,814,158	3,570,845

	Total	
	2005 $	2004 $
34. Segment Information cont.		
Segment results		
Funds Management	**5,525,208**	3,227,275
Trustee Services	**4,765,649**	3,647,535
Total of all segments	**10,290,857**	6,874,810
Unallocated [2]	**(5,012,586)**	(3,111,642)
Profit from ordinary activities before income tax expense	**5,278,271**	3,763,168
Income tax expense relating to ordinary activities	**(1,580,035)**	(952,212)
Profit from ordinary activities after related income tax expense	**3,698,236**	2,810,956
[2] Unallocated includes the following:		
Write-back of investments	**(67,000)**	(58,000)
Profit on sale of investments	**782,092**	685,856
Support Business Units' expenses	**(5,727,678)**	(3,739,498)
Total unallocated	**(5,012,586)**	(3,111,642)

	Assets		Liabilities	
	2005 $	2004 $	2005 $	2004 $
Segment assets & liabilities				
Funds Management	**7,211,011**	6,979,630	**3,327,787**	2,926,648
Trustee Services	**2,378,194**	1,836,544	**697,117**	862,464
Total of all segments	**9,589,205**	8,816,174	**4,024,904**	3,789,112
Unallocated	**17,759,557**	13,263,895	**4,128,508**	1,822,998
Consolidated assets and liabilities	**27,348,762**	22,080,069	**8,153,412**	5,612,110

The acquisition of segment assets, depreciation and amortisation of segment assets and other 'non-cash' expenses has not been disclosed as these are attributed to the Group as a whole and not any particular segment.

(b) Geographical Segments

The Group operates solely in Australia.

35. Acquisition of Business

During the year ended 30 June 2005, there were no acquisitions or sales of businesses (2004: nil). Refer to notes 16 and 32 regarding the Wealthpac Business acquired in 2003.

36. Statement of Cash Flows for the Financial Year ended 30 June 2005

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		Company	
	2005 $	2004 $	2005 $	2004 $
Cash	995,419	909,507	241,961	271,526
Other current financial assets – Short term deposits	9,258,706	5,615,601	9,258,706	5,615,601
Reserve Fund – Short term deposits	2,550,000	2,300,000	2,550,000	2,300,000
	12,804,125	8,825,108	12,505,667	8,187,127

(b) Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Profit from ordinary activities after income tax	3,698,236	2,810,956	3,013,765	2,315,785
(Profit)/loss on sale of investments	(782,092)	(685,856)	(782,092)	(685,856)
Depreciation and amortisation of non-current assets	158,599	275,323	144,361	268,529
(Profit)/loss on sale of plant and equipment	–	18,239	–	18,239
Diminution of investments	(67,000)	(58,000)	(67,000)	(58,000)
Amounts written off:				
Intangibles	–	44,282	–	44,282
(Increase)/decrease in assets:				
Current receivables	(712,063)	335,762	(810,491)	(38,415)
Non-current receivables	(200,878)	(76,012)	(354,947)	23,119
Other non-current assets	(153,511)	534,229	(153,511)	534,229
Increase/(decrease) in liabilities:				
Current payables	2,187,087	(70,313)	2,289,731	19,789
Current provisions	105,446	(10,097)	51,218	(10,097)
Other current liabilities	(85,327)	718,574	(85,327)	718,574
Non-current payables	–	–	–	–
Non-current provisions	173,494	71,668	168,525	52,017
Other non-current liabilities	183,426	301,666	–	–
Net cash flows from operating activities	4,505,417	4,210,421	3,414,232	3,202,195

(c) Non-cash financing activities

During the 2005 financial year:

- no shares were issued in relation to the acquisition of the Wealthpac business,
- 55,373 shares (2004: 30,857) were issued in accordance with the dividend reinvestment plan (DRP) and 116,079 shares (2004: 58,726) were issued in accordance with underwriting arrangements to cover the shortfall of shares not issued under the DRP.

37. Financial Instruments

(a) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial assets, financial liability and equity investment are disclosed in note 1 to the financial statements.

(b) Interest rate risk

The following table details the economic entity's exposure to interest rate risk as at the reporting date.

			Fixed Interest Rate				
	Average Interest Rate %	Variable Interest Rate $	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Non Interest Bearing $	**Total $**
2005							
Financial assets							
Cash, short term deposits	5.20	12,804,125					**12,804,125**
Receivables – trade						2,488,084	**2,488,084**
Receivables – other						1,311,971	**1,311,971**
Quoted investments						3,446,923	**3,446,923**
Loans/mortgages	4.50				7,235		**7,235**
Total		12,804,125			7,235	7,246,978	**20,058,338**
Financial liabilities							
Trade payables						444,862	**444,862**
Other payables						335,670	**335,670**
Amount owing on purchase of controlled entity						2,596,525	**2,596,525**
Employee entitlements						742,830	**742,830**
Directors' entitlements						408,540	**408,540**
Total						4,528,427	**4,528,427**
2004							
Financial assets							
Cash, short term deposits	5.60	8,825,108					**8,825,108**
Receivables – trade						1,708,081	**1,708,081**
Receivables – other						1,200,297	**1,200,297**
Quoted investments						3,526,826	**3,526,826**
Loans/mortgages	4.50				9,194		**9,194**
Total		8,825,108			9,194	6,435,204	**15,269,506**
Financial liabilities							
Trade payables						1,132,899	**1,132,899**
Other payables						731,408	**731,408**
Amount owing on purchase of controlled entity						2,596,525	**2,596,525**
Employee entitlements						712,484	**712,484**
Directors' entitlements						281,794	**281,794**
Total						5,455,110	**5,455,110**

37. Financial Instruments cont.

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial losses from defaults.

As outlined in note 6(f), included in the investment portfolio of the company are interest bearing investments in managed investment schemes where the company acts as responsible entity. Although the company has a prima facie credit exposure from these investments, this risk is not significant due to the existence of controls relating to the security of the underlying assets.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(d) Net Fair Value

Except as detailed in the following table, the carrying amount of the financial assets and liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

The net fair value of financial assets in the following table has been determined with reference to the quoted market prices of quoted investments as at the reporting date net of transaction costs:

	Notes	Carrying Amount		Net Fair Value	
		2005	2004	2005	2004
		$	$	$	$
Financial Assets					
Quoted investments*	12 & 14	**3,446,923**	3,526,826	**7,632,582**	7,076,159

* In accordance with the accounting policy as outlined in note 1(j), marketable securities are valued at cost less, where applicable, a writedown to recoverable amount. At 30 June 2005, the net fair value exceeded carrying cost by $4,185,659 (2004: $3,549,333). During the year, a pre-tax capital profit was realised amounting to $782,092 (2004: $685,856).

38. Subsequent Events

Subsequent to the end of the financial year, the directors announced a capital raising of approximately $9 million, consisting of a share placement and share purchase plan.

The new capital, amounting to 15%, or approximately 970,000 shares will be used for future growth/acquisition, increased leverage of existing businesses, interstate expansion and to further improve the group's balance sheet.

39. Impacts of adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS)

Management of the transition to A-IFRS

The consolidated entity will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the consolidated entity's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP) applicable to financial periods ended 30 June 2005.

During 2004 a scoping exercise was undertaken to determine the changes required for the consolidated entity and the company (the entity) to adopt A-IFRS. This scoping exercise then formed the basis of the entity's implementation plan.

At the date of this financial report the entity has completed all material phases of the implementation including the assessment of accounting policy alternatives on transition to A-IFRS and the finalisation of the A-IFRS accounting policies that will be adopted on 1 July 2005 as well as the determination of the likely material impact on the results and financial position of the entity. Management of the entity expects the entity to be in a position to fully comply with the requirements of A-IFRS in the entity's accounts for the half year ended 31 December 2005 and for the year ended 30 June 2006.

39. Impacts of adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS) cont.

The likely material impacts of A-IFRS on the results and financial position of the entity

Based on the directors' accounting policy decisions current at the date of this financial report, the following proforma statements and notes outline the likely material impacts on the entity had the financial statements been prepared using A-IFRS.

Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements/ additional guidance by the Australian Accounting Standards Board and the Urgent Issues Group or changes to the entity's operations), if any, may result in changes to the accounting policy decisions made by the directors of the entity and, consequently, the likely impacts outlined in the following narration.

The directors of the entity may, at any time within the completion of the entity's first A-IFRS compliant financial report, elect to revisit and where considered necessary, revise the accounting policies applied in preparing the following proforma statements and notes.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to A-IFRS, consequently there is a possibility that the final reconciliations presented in the first Financial Report prepared in accordance with A-IFRS (being the half-year ending 31 December 2005) may vary materially from the reconciliations below.

	Notes	Consolidated			Company		
		AGAAP actual $	A-IFRS impact $	A-IFRS proforma $	AGAAP actual $	A-IFRS impact $	A-IFRS proforma $
Revenue							
Revenue from ordinary activities	c	21,593,452	(1,790,668)	19,802,784	18,234,264	(1,790,668)	16,443,596
Gain on sale of current and non-current assets	d	–	782,092	782,092	–	782,092	782,092
Employee benefits	e,f	(10,153,473)	(93,427)	(10,246,900)	(8,253,388)	(93,427)	(8,346,815)
Depreciation and amortisation expense		(158,599)	–	(158,599)	(144,361)	–	(144,361)
Borrowing costs		(73,946)	–	(73,946)	(73,946)	–	(73,946)
Impairment of non-current assets	d	67,000	(67,000)	–	67,000	(67,000)	–
Other expenses from ordinary activities	d,g	(5,996,163)	987,545	(5,008,618)	(5,530,681)	987,545	(4,543,136)
Profit from ordinary activities before income tax expense		**5,278,271**	**(181,458)**	**5,096,813**	**4,298,888**	**(181,458)**	**4,117,430**
Income tax expense relating to ordinary activities		(1,580,035)	5,631	(1,574,404)	(1,285,123)	5,631	(1,279,492)
Net profit		**3,698,236**	**(175,827)**	**3,522,409**	**3,013,765**	**(175,827)**	**2,837,938**
Net profit attributable to members of the parent entity		**3,698,236**	**(175,827)**	**3,522,409**	**3,013,765**	**(175,827)**	**2,837,938**

39. Impacts of adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS) cont.

	Notes	Consolidated			Company		
		AGAAP actual $	A-IFRS impact $	A-IFRS proforma $	AGAAP actual $	A-IFRS impact $	A-IFRS proforma $
Current assets							
Cash		995,419	–	995,419	241,961	–	241,961
Receivables		3,607,445	–	3,607,445	3,436,089	–	3,436,089
Other financial assets	d	9,258,706	(78,274)	9,180,432	9,258,706	(78,274)	9,180,432
Total current assets		**13,861,570**	**(78,274)**	**13,783,296**	**12,936,756**	**(78,274)**	**12,858,482**
Non-current assets							
Receivables	i	192,610	–	192,610	2,038,735	41,520	2,080,255
Other financial assets	d	904,158	4,185,659	5,089,817	904,170	4,185,659	5,089,829
Intangibles		5,193,050	–	5,193,050	–	–	–
Property, plant and equipment		1,349,776	–	1,349,776	1,301,175	–	1,301,175
Deferred tax assets	i	747,598	43,948	791,546	747,598	2,428	750,026
Total non-current assets		**8,387,192**	**4,229,607**	**12,616,799**	**4,991,678**	**4,229,607**	**9,221,285**
Reserve Fund							
Financial assets		5,100,000	–	5,100,000	5,100,000	–	5,100,000
Total Reserve Fund		**5,100,000**	**–**	**5,100,000**	**5,100,000**	**–**	**5,100,000**
Total assets		**27,348,762**	**4,151,333**	**31,500,095**	**23,028,434**	**4,151,333**	**27,179,767**
Current liabilities							
Payables	g	2,106,706	195,923	2,302,629	1,893,849	195,923	2,089,772
Provisions		866,833	–	866,833	769,146	–	769,146
Other		2,783,929	–	2,783,929	187,404	–	187,404
Current tax liability		1,694,564	–	1,694,564	1,694,564	–	1,694,564
Total current liabilities		**7,452,032**	**195,923**	**7,647,955**	**4,544,963**	**195,923**	**4,740,886**
Non-current liabilities							
Provisions		666,385	(49,431)	616,954	642,224	(49,431)	592,793
Other non-current liabilities		34,995	–	34,995	124,502	–	124,502
Deferred tax liability	i	–	1,180,062	1,180,062	–	1,180,062	1,180,062
Total non-current liabilities		**701,380**	**1,130,631**	**1,832,011**	**766,726**	**1,130,631**	**1,897,357**
Total liabilities		**8,153,412**	**1,326,554**	**9,479,966**	**5,311,689**	**1,326,554**	**6,638,243**
Net assets		**19,195,350**	**2,824,779**	**22,020,129**	**17,716,745**	**2,824,779**	**20,541,524**
Equity							
Contributed equity	f	14,109,415	95,693	14,205,108	14,109,415	95,693	14,205,108
Reserves	d	1,754,201	2,867,323	4,621,524	1,754,201	2,867,323	4,621,524
Retained earnings		3,331,734	(138,237)	3,193,497	1,853,129	(138,237)	1,714,892
Total equity		**19,195,350**	**2,824,779**	**22,020,129**	**17,716,745**	**2,824,779**	**20,541,524**

39. Impacts of adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS) cont.

Explanatory notes to the proforma financial statements

The following explanatory notes relate to the proforma financial statements above and describe, for significant items, the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian GAAP (AGAAP).

(a) Business combinations and goodwill

On initial adoption of A-IFRS the directors have elected not to restate business combinations (including acquisition of Wealthpac Group) that occurred before 1 July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and changes relating to amortisation of goodwill and annual impairment testing.

In addition EIML has acquired the management rights of the Wealthpac Access Master Trust. Under A-IFRS, intangible assets are required to be recognised separately from goodwill where they meet the criteria for separate recognition. The management rights have been separately recognised as an intangible asset since their acquisition by EIML. Refer note 39 (b) for further information regarding the impact of A-IFRS on the management rights.

Under A-IFRS, deferred tax liabilities and deferred tax assets acquired are measured on a different basis to present (refer note 39 (i)), and contingent liabilities that are reliably measurable are required to be recognised as part of the business combination. No additional deferred tax liabilities or assets, or contingent liabilities have been identified as requiring recognition on transitional to A-IFRS.

(b) Management Rights

EIML acquired an intangible asset being the management rights of the Wealthpac Access Master Trust in 2003. Under A-IFRS, an intangible asset with an indeterminable life is subject to an annual impairment test. As at 30 June 2005 no impairment has been identified in relation to these management rights. For further information regarding these management rights and a contingent liability associated with these management rights refer to notes 16 and 32.

(c) Revenue from ordinary activities

Although not impacting the net profit of the company and the consolidated entity, the adoption of A-IFRS will result in a number of transactions being recorded on a "net" rather than a "gross" basis. In addition, the adoption of A-IFRS results in the reclassification of proceeds from sale of non-current assets from "revenue from ordinary activities" to gain on sale of current and non-current assets.

As a consequence, revenue from ordinary activities will decreased by $1,790,668 (company: $1,790,668), other expenses will decrease by $1,008,576 (company: $1,008,576) and a gain on sale of current and non-current assets of $782,092 (company: $782,092) will be recognised for the financial year ended 30 June 2005.

(d) Financial instruments

The directors have determined the classifications that will apply to the various financial assets and financial liabilities held by the entity. Under A-IFRS, financial assets must be categorised as either: i) at fair value through profit or loss, ii) loans and receivables, iii) held-to-maturity, or iv) as available-for-sale. Financial liabilities must be categorised as either at fair value through profit or loss or as other financial liabilities. The classification of the financial assets and financial liabilities determines the measurement basis to be adopted. The entity does not have any derivatives.

Investments will be classified as "available for sale". Unrealised gains and losses on available for sale financial assets will be recognised directly in reserves through the statement of changes in reserves, except for impairment losses and foreign exchange gains and losses which are recognised in the statement of financial performance (currently the entity does not have foreign currency denominated investments). Under A-IFRS when gains and losses on investments are realised the full gain or loss will be recognised in the statement of financial performance and revaluation reserve will be adjusted accordingly. Previously under AGAAP these investments were recorded at cost less a provision for writedown.

As disclosed in the proforma statements on 1 July 2005, the closing reported financial assets will increase by $4,107,385 (company: $4,107,385) being the increase from AGAAP cost less provision for share writedown to fair value under A-IFRS at as 30 June 2005. As at 30 June 2004 the financial assets increased by $3,549,306 (company: $3,549,306) being the increase from AGAAP cost less provision for share writedown to fair value as at 30 June 2004. Under AGAAP there was a provision for share writedown held, under A-IFRS this provision has been reversed on the investments being valued at fair value. During the 2005 year under AGAAP $67,000 (company: $67,000) of the provision was written back to the statement of financial performance, under A-IFRS this adjustment is reversed.

(e) Employee Benefits

Under A-IFRS the entity is required to discount to present value employee benefits liabilities that are not expected to be taken in the next 12 months. The impact will be a decrease in additional employee benefit expense of $2,266 (company: $2,266) will be recognised in profit and loss for the financial year ended 30 June 2005 and a decrease in the balance of current provisions as at 30 June 2005 by $49,341 (company: $49,431).

(f) Share Based Payments

The entity made three share based payments that vested subsequent to 7 November 2002. Under the Australian accounting standards in effect prior to the introduction of A-IFRS (AGAAP) these payments did not result in any expense being recorded in the statement of financial performance. The directors have elected to not recognise the impact under A-IFRS for the two payments that vested prior to 1 January 2005. The A-IFRS impact for the share based payment that vested after 1 January 2005 is that contributed equity will increase by $95,693 (company: $95,693) and an additional employee benefit expense of $95,693 (company: $95,693) will be recognised in profit and loss for the financial year ended 30 June 2005.

39. Impacts of adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS) cont.

(g) Leases

Under A-IFRS operating lease payments are required to be recognised as an expense on a straight line basis unless another systematic basis is more representative of the time pattern of the user's benefits, even if the payments are not on that basis. The entity has a property lease under which there is a fixed level of increase each year. The impact of the change to A-IFRS in relation to the recognition of expenditure under this lease is an increase in the expense recorded in the statement of financial performance for the financial year ended 30 June 2005 of $21,031 (company: $21,031) and an increase in payables balance as at 30 June 2005 of $195,923.

(h) Property, plant and equipment

On initial adoption of A-IFRS, the directors have not elected to apply the options permitted by the first-time adoption provisions in AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' to revalue property, plant and equipment on an asset by asset basis.

(i) Income tax

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied as described in note 1(h). Changes in deferred tax assets and deferred tax liabilities will arise as a consequence of the different method of measurement.

Under A-IFRS, the criteria for recognition of carried forward tax losses is 'probable' as compared to the present 'virtually certain' test. As at 30 June 2005 the consolidated entity does not have any unrecognised carry forward tax losses.

The cumulative impact on the consolidated financial position at 30 June 2005 of the different methodology to be applied will be an increase in deferred tax liabilities by $1,180,062 (company: $1,180,062) and an increase in deferred tax assets by $43,948 (company: $2,428). The increased deferred tax liability arises as a result of the change under A-IFRS to recording investments at fair value that resulted in an increase in the value of investments by $4,107,385 as at 30 June 2005 (refer note 39 (d)). The impact on the consolidated profit and loss for the financial year ended 30 June 2005 is a decrease in tax expense of $5,631 (company: $5,631).

Tax consolidation

UIG Interpretation 1052 'Tax Consolidation Accounting' proposes a significantly different manner of accounting for income taxes in tax-consolidated group compared to the present Australian requirements (refer note 1(h) and note 4). The approved interpretation is expected to be applicable for financial years ending on or after 31 December 2005, and would require that each entity in the tax-consolidated group recognise deferred tax assets (other than unused tax losses and unused tax credits) and deferred tax liabilities relating to its own balances. Accordingly, deferred tax assets of $41,520 attributable to members of the tax-consolidated group other than the head entity presently recognised by Equity Trustees Limited as at 30 June 2005 would be derecognised under A-IFRS.

Differences between the current tax liability (or asset) and the amount of any funding amount arising under a tax funding arrangement are be treated as a contribution by (or distribution to) equity participants. Under the existing tax funding arrangement, no tax consolidation contributions by (or distributions to) equity participants are expected to arise.

(j) Retained Earnings

The adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings at the date of transition (30 June 2004) to A-IFRS. The cumulative effect of these adjustments for the consolidated entity will be an increase in retained earnings of $37,591 (company: $37,591).

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

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 giving a true and fair view of the financial position and performance of the consolidated entity; and

c) the directors have received from the Managing Director and the Chief Financial Officer the declarations required by s. 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors,

Peter J Williams
Managing Director
Melbourne

Signed this 7th day of September 2005

Deloitte.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EQUITY TRUSTEES LIMITED

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Equity Trustees Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 34 to 61. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) under the heading "remuneration report" in pages 29 to 31 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and the remuneration disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows and whether the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the remuneration disclosures, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

(1) the financial report of Equity Trustees Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

(2) the remuneration disclosures that are contained in pages 29 to 31 of the directors' report comply with Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Litigation

Without qualification to the opinion expressed above, attention is drawn to the following matter. As explained in Note 32 to the financial statements, Equity Trustees Limited is the plaintiff in litigation seeking rectification of formulae in the Business Sale Agreement which calculates deferred consideration payable for the purchase of the Wealthpac business. The consideration in dispute under the executed Agreement is estimated as $14mil to $16mil greater than the amount calculated in accordance with a rectified Agreement. Preliminary hearings and discovery proceedings are in progress. The circumstances of the case are such that the ultimate outcome of the litigation cannot presently be determined with an acceptable degree of reliability, and accordingly no provision for the disputed consideration which may be payable under the executed Agreement has been made in the financial statements.

DELOITTE TOUCHE TOHMATSU

PA Caldwell

Partner

Chartered Accountants

7 September 2005

STATEMENT OF SHAREHOLDINGS

The company's shares are listed on the Australian Stock Exchange.

The issued capital of the company as at 31 August 2005 comprising 6,480,850 fully paid ordinary shares is held by 957 shareholders as follows:

SIZE OF HOLDING	HOLDERS OF ORDINARY SHARES
1 – 1,000*	369
1,001 – 5,000	376
5,001 – 10,000	115
10,001 – 100,000	89
100,001 and over	8
	957

* Number of shareholders holding less than marketable parcel ($500) based on the market price of $11.50 as at 31 August 2005 was 5.

TWENTY LARGEST SHAREHOLDERS AS AT 31 AUGUST 2005	NO. OF SHARES	%
1. Equity Nominees Limited	762,958	11.77
2. Futuris Corporation Limited	525,875	8.11
3. Futuris Corporation Limited – EQT Holding A/c	395,453	6.10
4. Permanent Trustee Company Limited	280,446	4.33
5. Milton Corporation Limited	192,800	2.97
6. DB Management Pty Ltd	134,695	2.08
7. Janvin Pty Ltd	133,069	2.05
8. NBT Pty Limited – Super Fund A/c	106,185	1.64
9. NBT Pty Limited	87,753	1.35
10. Mr Vernon Thomas Hauser	62,500	0.96
11. Mr James Bolton Leslie	51,940	0.80
12. Croll Nominees Pty Limited – Super Fund A/c	45,054	0.70
13. Trust Company Superannuation Services Ltd – PSF A/c	41,002	0.63
14. Mr Berrick Walter Boyd & Mrs Janice Mary Boyd	40,000	0.62
15. Kirami Investments Pty Limited	40,000	0.62
16. Margaret Crutch	39,828	0.61
17. Fatofa Investments Pty Ltd	36,920	0.57
18. Mr Peter John McCleave	34,763	0.54
19. Dr Lorraine Cecile Lawrence	34,040	0.53
20. Josephine Mattei (deceased) C/- Mr D Mattei	30,261	0.47

SUBSTANTIAL SHAREHOLDERS

At 31 August 2005, substantial shareholder notices had been received from the following shareholders:

	Shares Held
■ Futuris Corporation Limited	935,848
■ Trust Company of Australia Limited	367,327
■ Equity Trustees Limited as Responsible Entity for the Professional Investor Smaller Companies Trust	339,139
■ N Burton-Taylor	337,825

VOTING RIGHTS

Article 53 of the Constitution provides that when a poll is taken every shareholder has one vote for each fully paid share held.

NOMINATIONS FOR OFFICE OF DIRECTOR

Nominations for the office of director must be in writing, signed by the nominee and received at the registered office between 7 and 17 October 2005.

CORPORATE DIRECTORY

Equity Trustees Limited
ABN 46 004 031 298
Australian Financial Services Licence No. 240975

BOARD OF DIRECTORS

Philip G Molyneux, B.Econ, FCA. (Chairman)

Peter J Williams, Dip.All, MAICD, FAIM. (Managing Director)

David F Groves, B.Com, M.Com.CA

John R McConnell, B.Com, FAICD, FAIM, FAIBF

Barry J Jackson, B.Com (Hons), MAICD

(JA) Tony Killen, Dip.All, FAICD, FAIM

Ross A Illingworth, B.Bus (HR), GAICD, CFP

COMPANY SECRETARY/CHIEF FINANCIAL OFFICER

Terry Ryan, B.Bus, CA, ASIA

AUDITOR

Deloitte.

180 Lonsdale Street

Melbourne, Victoria 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street

Abbotsford, Victoria 3067

REGISTERED OFFICE

Level 2, 575 Bourke Street

Melbourne, Victoria 3000

Telephone:	(03) 8623 5000
Facsimile:	(03) 8623 5200
Email:	equity@eqt.com.au
Website:	www.eqt.com.au

"While the company's organic growth is assured, the executive team would welcome the challenge of a merger or acquisition. The opportunity to leverage its new ability to operate on a larger scale would generate a quantum leap in profits for the benefit of shareholders."

Philip G Molyneux,
Chairman

EQUITY Trustees
Trusted since 1888

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Melbourne Victoria 3000

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Email: equity@eqt.com.au
Website: **www.eqt.com.au**