EQUITY Trustees

Trusted since 1888

ANNUAL REPORT 2009

Directory

Board of Directors

JA (Tony) Killen
BA, FAICD, FAIM (Chairman, Non-executive)

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

David F Groves
B.Com, M.Com, CA, FAICD (Deputy Chairman, Non-executive)

John R McConnell
B.Com, FAICD, FAIM, F Fin (Non-executive)

Barry J Jackson
B.Com (Hons), MAICD (Non-executive)

Alice JM Williams
B.Com, FCPA, FAICD, AIF, CFA (Non-executive)

The Hon Jeffrey G Kennett AC
Hon. DBus (Ballarat) (Non-executive)

Company Secretary/ Chief Financial Officer

Terry Ryan
B.Bus, FCA, F Fin

Joint Company Secretary

Philip Maddox
LLB, BA, GDipAppFin (Finsia)

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Victoria 3000

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Registered office

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Equity Trustees Limited

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Directors' Report

Directors' Report for the financial year ended 30 June 2009

The directors of Equity Trustees Limited ('the Company') submit herewith the annual financial report for the financial year ended 30 June 2009. 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:

JA (Tony) Killen, Chairman
Peter J Williams, Managing Director
David F Groves, Deputy Chairman
John R McConnell
Barry J Jackson
Alice JM Williams
The Hon Jeffrey Kennett AC (appointed 1 September 2008)

Details of directorships and experience are summarised in the Board of Directors' Profiles, following this report.

Company Secretaries

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 fellow of the Institute of Chartered Accountants and the Financial Services Institute of Australasia.

Mr Philip Maddox, Lawyer, held the office of joint Company Secretary during and since the end of the financial year. Mr Maddox joined Equity Trustees Limited in late 2001 and previously held senior managerial and operational roles in the trustee industry. He is a member of the Law Institute of Victoria and currently holds a Legal Corporate Practising certificate.

Principal activities

The principal activities of the Equity Trustees Group ('the Group') during the course of the financial year involved the provision of a range of financial services to clients of our Private Clients, Funds Management, Fund Services and Superannuation business units. Further details pertaining to the activities of these business units is summarised below.

Review of operations

For the year ended 30 June 2009, the Group earned a profit after tax of $8,011,871 (2008: $10,565,351). The Group is made up of four business units. There was no change to the strategic operation of these business units during the 2009 financial year.

The four business units, their function and 2009 revenue performance is summarised as follows:

Business unit	Key functions	2009 performance
Private Clients	The provision of personal asset management services – including wealth management, trust management, estate planning, executorial, taxation and philanthropic services. The team is supported by an in-house asset management team providing investment advice to all private clients.	Operating revenue down 27.6% to $7.6m (2008: $10.4m) Assets under management down 16.6% to $1,112m (2008: $1,333m)
Funds Management	Management and coordination of the distribution and marketing for Equity Trustees co-branded retail and wholesale funds managed by external specialist investment managers. Operational compliance in managing the Responsible Entity business (part of Fund Services).	Operating revenue down 15.1% to $8.5m (2008: $10.0m) Funds under management down 18.1% to $1,938m (2008: $2,367m)
Fund Services	Overall responsibility for the risk management of Corporate Trust and Responsible Entity businesses – covering both managed funds and superannuation. Responsibilities also include Company Legal Counsel; Joint Company Secretary and compliance.	Operating revenue down 15.1% to $8.1m (2008: $9.6m) Funds under administration down 20.2% to $11,209m (2008: $14,046m)
Superannuation	A full service trustee, administration and investment business which manages employer superannuation funds through its 'fund of funds' Master Trust primarily servicing small-to-medium sized enterprises. The Master Trust also offers tax effective pension accounts to individuals.	Operating revenue up 6.7% to $8.5m (2008: $7.9m) Funds under management down 8.1% to $565m (2008: $615m)

Changes in the state of affairs

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

Subsequent events

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Dividends

In respect of the financial year ended 30 June 2008:

i. An interim dividend of 50 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 11 April 2008.

ii. A final dividend of 60 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 10 October 2008.

In respect of the financial year ended 30 June 2009:

i. An interim dividend of 50 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 16 April 2009.

ii. Subsequent to 30 June 2009, the directors declared a final dividend of 60 cents per share, franked to 100% at 30% corporate income tax rate, payable to holders of fully paid ordinary shares on 14 October 2009.

Indemnification of directors, officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors, company secretaries and officers of the Group against a liability incurred as 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, a company secretary, an officer or auditor of the company or any related body corporate against a liability incurred as such a director, company secretary, 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, 11 committee of the board meetings, 3 remuneration & human resources committee meetings and 13 audit & compliance committee (A&CC) meetings were held.

Directors in attendance	Board meetings		Committee of the Board meetings[1]		Remuneration and Human Resources Committee Meetings		Audit & Compliance Committee Meetings	
	Eligible to attend[2]	Attended	Eligible to attend[2]	Attended	Eligible to attend[2]	Attended	Eligible to attend[2]	Attended
JA (Tony) Killen	13	13	2	2	3	3	-	-
P J Williams	13	13	11	11	-	-	-	-
D F Groves	13	13	9	9	-	-	13	13
J R McConnell	13	12	7	7	-	-	13	9
B J Jackson	13	13	3	3	3	3	-	-
A J M Williams	13	13	8	8	-	-	13	13
J G Kennett[3]	11	11	3	3	2	2	-	-

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.
3. The Hon Jeffrey Kennett AC was appointed as a director on 1 September 2008.

Directors' Report (cont.)

Directors' shareholding

The following table sets out each director's relevant interest in shares. All shares are fully paid ordinary shares.

Director	Number of shares held as at 30 June 2009
DF Groves	579,858
PJ Williams	20,997
JR McConnell	20,108
JG Kennett	13,970
BJ Jackson	10,500
JA Killen	6,356
AJM Williams	333

Remuneration report

The Board's policy on executive remuneration is designed to attract and retain high calibre staff and to reward executives for achieving financial and other business goals, which in turn, increases shareholder wealth.

Executive remuneration is structured in a manner that:

- aligns with short and long-term business targets of the Group;
- aligns the interests of executives and shareholders by providing rewards to executives for creating shareholder value; and
- is market competitive in order to attract and retain high calibre executives.

Remuneration of all executives is reviewed on an annual basis by the Remuneration and Human Resources Committee and determined with regard to current market rates, Group performance and executive performance.

Executive remuneration packages contain the following key elements:

i. Salary – This fixed remuneration component is set annually based on the level of responsibility and market competitiveness for individual executives;

ii. Short-Term Performance Incentives ('STiP') – This annual at-risk component is based on the achievement of key performance criteria but is only paid if budgeted profit is achieved. Maximum cash awards are capped at up to 60% of Total Employment Cost ('TEC') for each executive;

iii. Non-monetary – Includes parking costs and fringe benefits tax;

iv. Termination benefits – Includes leave entitlements on termination;

v. Post employment – Includes superannuation guarantee charge ('SGC'), and other superannuation payments;

vi. Other long-term employee benefits – Includes the movement in accrual for long service leave; and

vii. Share-based payments – Long-Term Incentive Plan ('LTiP') and Employee Share Acquisition Plan ('ESAP'):

- The LTiP awards ('Awards') may be granted each year to selected executives under the Executive Performance Share Plan 1999. Maximum annual share-based awards are capped at up to 60% of TEC for each executive;
- The ESAP provides for eligible employees to receive up to $1,000 of EQT shares per annum. These shares are held in escrow for three years, or upon cessation of employment, if earlier than three years.

In summary, the EQT executive remuneration structure comprises fixed salary and short and long term variable components. Executive package components are reviewed and structured annually to focus individuals on, and to reward achievement of, specific measures and targets with both short and medium term horizons.

Details of incentive plans

Short-Term Performance Incentives:

These are calculated by reference to agreed key performance indicators for the year ended 30 June 2009. These include earnings per share, group profitability, revenue growth, expense control, and other performance criteria specific to the respective executive's responsibilities. These performance criteria were chosen so as to provide a suitable incentive for improved executive performance for the benefit of shareholders and other stakeholders. The measurement of criteria is assessed by adopting a balanced scorecard approach, with each criterion given a threshold representing the minimum incentive and a stretch threshold representing an excellent achievement, for which the maximum incentive is paid. In all cases the Remuneration and Human Resources Committee confirms the appropriateness of the criteria, appropriate thresholds and, at the conclusion of the measurement period, confirms the level of achievement.

The grant date for the 2009 short-term performance incentive arrangements was 30 July 2008 and there were no alterations to terms or conditions since that date. There was no forfeiture of short-term performance incentives during the year.

For the year ended 30 June 2009, key performance thresholds of Group profitability and revenue growth were not achieved. Accordingly, there were no short-term executive performance incentives accrued or payable.

Long-Term Performance Incentives:
These are offered to executives via the grant of Awards which confer the right to acquire shares at no cost subject to meeting prescribed performance hurdles. The details of these incentives are outlined below under the heading, Executive Share Performance Plan. The accounting cost of long-term performance incentives is spread over the measurement period, with a cost of $146,780 accrued for the year to 30 June 2009 (2008: $590,598).

The Board believes that the operational and financial performance of the Group over the last five years has been strong and it is of the view that the remuneration policy has enabled the Group to attract and retain high quality management, and that financial rewards to executives are consistent with the Group's performance.

The table below provides summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2009:

Table 1

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005 $'000
Revenue	34,501	39,631	33,063	25,342	20,585
Net profit before tax	11,250	14,755	11,807	7,211	4,977
Net profit after tax	8,012	10,565	8,144	5,156	3,403

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year	$21.80	$33.00	$18.50	$11.10	$7.40
Share price at end of year	$14.50	$21.80	$33.00	$18.50	$11.10
Interim dividend[1]	50cps	50cps	30cps	20cps	15cps
Final dividend[1,2]	60cps	60cps	45cps	30cps	25cps
Total dividend	110cps	110cps	75cps	50cps	40cps
Basic earnings per share	98.45cps	133.35cps	105.18cps	69.94cps	52.98cps
Diluted earnings per share	97.93cps	131.79cps	104.28cps	69.73cps	52.98cps

1. All dividends are franked to 100% at 30% corporate income tax rate.
2. Declared after balance date and not reflected in the financial statements as at 30 June.

Refer to comments later in this report in relation to the link between profit outcomes and executive remuneration.

Directors' Report (cont.)

Directors' remuneration

The following table discloses the directors of Equity Trustees Limited during the year, together with remuneration entitlements:

Table 2

Directors	Short-term benefits			Post-employment benefits		Other long-term benefits	Share-based payments	Total
	Fee/ salary $	Perf. incentive $	Non-monetary $	Superannuation $	DRA[3] $	$	Share Awards $	$
Non-executive Directors								
JA (Tony) Killen, Chairman								
2009	**98,580**	-	-	**36,580**	**328**	-	-	**135,488**
2008	54,212	-	-	33,000	3,679	-	-	90,891
DF Groves, Deputy Chairman								
2009	**61,667**	-	-	**25,533**	**6,233**	-	-	**93,433**
2008	45,000	-	-	31,300	8,792	-	-	85,092
JR McConnell								
2009	**24,167**	-	-	**54,858**	**4,966**	-	-	**83,991**
2008	31,250	-	-	36,875	12,771	-	-	80,896
BJ Jackson								
2009	-	-	-	**71,940**	**6,717**	-	-	**78,657**
2008	-	-	-	62,759	3,679	-	-	66,438
AJM Williams								
2009	**72,500**	-	-	**6,525**	-	-	-	**79,025**
2008	51,146	-	-	4,603	-	-	-	55,749
JG Kennett[1]								
2009	**53,333**	-	-	**4,800**	-	-	-	**58,133**
PG Molyneux[2]								
2008	16,083	-	-	1,447	1,171	-	-	18,701
TOTAL: NON-EXECUTIVE DIRECTORS								
2009	**310,247**	-	-	**200,236**	**18,244**	-	-	**528,727**
2008	197,691	-	-	169,984	30,092	-	-	397,767
Executive Director								
PJ Williams, Managing Director								
2009	**281,782**	-	**8,618**	**99,600**	-	**12,068**	**45,296**	**447,364**
2008	252,355	99,629	8,026	116,000	-	5,482	173,016	654,508

1. The Hon Jeffrey Kennett AC was appointed as a director on 1 September 2008.
2. Mr Molyneux resigned as a director on 30 August 2007 and was paid $172,666 as a retiring allowance.
3. DRA represents the movement in the accrual for directors' retiring allowance and is calculated in accordance with the accounting policy as outlined in note 2(e) to the financial statements. The DRA for each director was frozen as at 31 December 2005 however the frozen amounts are inflation adjusted annually for the movement in CPI.

Executive remuneration

The following table discloses the key management personnel and highest remunerated executives of the Group during the year, together with remuneration entitlements:

Table 3

Executives	Short-term employee benefits			Post employment benefits	Other long-term employee benefits	Share-based payments		Total
Name	Salary $	Perf. incentive $	Non-monetary $	Super-annuation $	$	Share Awards[4] $	Employee Share Acquisition Plan $	$
HH Kalman, Head of Funds Management[1,2,3]								
2009	**233,177**	-	**8,078**	**13,745**	**13,510**	**20,397**	**1,000**	**289,907**
2008	219,062	47,808	7,819	13,129	5,059	80,578	988	374,443
T Ryan, CFO & Company Secretary[1,2,3]								
2009	**216,763**	-	**24,492**	**13,745**	**2,609**	**20,397**	**1,000**	**279,006**
2008	207,301	59,712	19,577	13,129	2,892	80,578	988	384,177
SR Manuell, Head of Asset Management[1,2,3]								
2009	**218,255**	-	-	**13,745**	**7,146**	**18,994**	**1,000**	**259,140**
2008	206,871	45,320	-	13,129	3,209	75,327	988	344,844
PM Maddox, Head of Fund Services and Chief Legal Officer[1,2,3]								
2009	**197,303**	-	**4,945**	**17,756**	**6,945**	**25,349**	**1,000**	**253,298**
2008	178,578	30,281	8,180	20,977	2,816	58,304	988	300,124
AD Young, Managing Director, Equity Trustees Superannuation Limited[1,2]								
2009	**126,611**	-	**9,525**	**95,868**	**6,188**	**(7,777)**	**1,000**	**231,415**
2008	106,584	45,959	7,774	104,104	4,207	12,604	988	282,220
MSF Godfrey, Head of Wealth Management[1,3]								
2009	**178,306**	-	-	**13,745**	**4,949**	**13,319**	**1,000**	**211,319**
2008	164,858	28,305	2,013	13,129	2,325	45,572	988	257,190
TOTAL: EXECUTIVES								
2009	**1,170,415**	-	**47,040**	**168,604**	**41,347**	**90,679**	**6,000**	**1,524,085**
2008	1,083,254	257,385	45,363	177,597	20,508	352,963	5,928	1,942,998

1. Key management personnel of the Group.
2. Highest remunerated executives of the Group.
3. Highest remunerated executives of Equity Trustees Limited.
4. The value attributable to long-term incentive share awards is based on the accounting cost, using the fair value at grant date. For the earnings per share ('EPS') criterion on assessment is made of the likely achievement of performance hurdles over the 3 year measurement period and the accounting cost is adjusted accordingly. For the 2006/07 Series ending on 30 June 2009, the EPS criterion achieved 91.67%. For the total shareholder return ('TSR') criterion the accounting standard requires the accounting cost to be spread over the measurement period regardless of the extent of achievement of the criterion. The TSR for the 2006/07 Series ending on 30 June 2009 was achieved to 66.34%, however 100% is charged against executive remuneration packages.

There were no termination payments made during the year ended 30 June 2009 (2008: nil)

Link between profit outcomes and executive remuneration

The year under review illustrates the effectiveness of the design of Group's executive remuneration arrangements and the direct link between profit outcomes and compensation delivered to executives.

This flows from the significant component of variable remuneration which is directly linked to the profitability of the Group. The growth in profits in years 2005 to 2008 inclusive, as outlined in Table 1, resulted in growth in remuneration to executives in respect of those years. However, the lower 2009 profits saw both short and long term incentives, and thus total remuneration, reduced commensurately, with immediate effect. This is reflected in Table 3.

As the Group did not achieve its 2009 operating profit budget, no short-term incentive was earned by any member of the executive team. The long-term incentives deliverable from the 2006/7 Series were largely but not totally earned. Thus in a year in which the Group's profit reduced by 24%, executive compensation also reduced by between 16 and 27%.

Employment agreements

The employment agreements for key management personnel, other than for the Managing Director, do not have a fixed term. The term of the Managing Director's existing employment agreement was until 1 July 2009. On Wednesday, 15 July 2009, the Board announced that Mr Williams will retire as Managing Director towards the end of 2009.

Executive Share Performance Plan

Long-Term Incentives ('Awards') are offered to executives under the Equity Trustees Limited Executive Performance Share Plan 1999 ('the Plan'). The first issue of Awards commenced with the 2005/06 Series and has continued in each subsequent year.

During the financial year, the Board of Directors approved the issue of a fourth series ('2008/09 Series'). The total number of share entitlements issued under the 2008/09 Series was 23,513 (2007/08: 23,742).

The structure of the Plan approved by the Equity Trustees Limited Board Remuneration and Human Resources Committee (Remuneration Committee) is to form part of the remuneration structure of eligible executives, in particular, the long term incentive ('LTI') component of remuneration.

The following is an overview of the key features of the Plan, noting specific features of the 2008/09 Series:

- the Remuneration Committee will consider and approve participants under the Plan.
- the value of the Award is determined by the Remuneration Committee.
- the number of share entitlements issued to each participant under the 2008/09 Series is calculated by dividing the value of the Award by the weighted average share price of Equity Trustees Limited shares traded during the three month period to 30 June 2008.
- the performance criteria are based on:
  - Total Shareholder Return ('TSR'), and
  - Earnings per Share ('EPS').
- the criteria are selected as they are aligned to long-term growth in shareholder value.
- TSR is defined as the increase in share price over the three year measurement period, plus dividends reinvested over the three year period. This is compared to a Comparator Group based on the ASX200 Index and a vesting scale applied.
- EPS is based on normalised operating profit before tax, which excludes approved non-operating items, such as profits/losses on the sale of investments. The EPS is compared to the base year and a vesting scale applied to calculate earned entitlements.
- the term of each Award series is a three year period, with additional performance assessments during the fourth year, if applicable. In relation to Awards aligned to the TSR criterion, if the full Award is not achieved after the initial three year period, a fourth year measurement period is undertaken. There is no fourth year EPS performance assessment, regardless of the outcome after the initial three year period.
- the weighting of the performance criteria is as follows:
  - TSR – 25%;
  - EPS – 75%.
- each share entitlement converts to one ordinary share of Equity Trustees Limited on exercise.
- no amounts are paid or payable by participants on receipt of the share entitlements.
- the share entitlements carry neither rights to dividends nor voting rights.
- the number of share entitlements on issue is adjusted for any capital reconstructions during the measurement period.

- holders of share entitlements do not have a right, by virtue of the entitlements held, to participate in any new share issue of the company.
- the participant must be employed within the Group for the duration of the measurement period to exercise any share entitlements.
- shares issued after the completion of the initial three year measurement period, are held in trust for up to a further 10 year period, from the date of issue, subject to a forfeiture condition.
- dividends vest to the participant after date of issue.
- the use of hedging or derivative techniques is not permitted until shares are released from the forfeiture condition. If hedging or derivative techniques are used during the period when there is still a forfeiture condition in place, then the shares are forfeited.

In accordance with the Plan, variations to the above features may apply, where approved by the Remuneration Committee. There was no forfeiture of Awards or shares during the year.

In addition to the abovementioned fourth series ('2008/09 Series'), on 23 June 2009 the directors also approved a fifth series ('2009/10 Series'). This series has an initial three year measurement period commencing 1 July 2009 and therefore does not impact the year ended 30 June 2009. The total number of share entitlements issued under the 2009/10 Series was 51,840.

The following is an overview of changes to the key features of the plan introduced as part of the 2009/10 Series:

- EPS is now 100% of performance criteria for all participants;
- TSR has not been used as a part of performance criteria;
- the number of share entitlements issued to each participant under the 2009/10 Series is calculated by dividing the value of the Award by the weighted average share price of Equity Trustees Limited shares traded during the period, 1 April to 23 June 2009.

The following share-based payment arrangements were in existence during the period:

Award series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Total maximum future accounting value of Grant* $
2009/10 Series	51,840	23/06/2009	30/06/2012	nil	12.12	628,301
2008/09 Series	23,513	30/07/2008	30/06/2011	nil	19.36	376,835
2007/08 Series	23,742	26/07/2007	30/06/2010	nil	26.79	525,166
2006/07 Series	43,510	27/07/2006	30/06/2009	nil	14.36	30,064

* The minimum future accounting value of each Grant is nil.

The weighted average fair value of the share entitlements granted during the financial year was $12.12 (2009/10 Series) and $19.36 (2008/09 Series) (2007/08: $26.79). The share entitlements were valued by PricewaterhouseCoopers using an adjusted form of the Black-Scholes Option Pricing Model that incorporates a Monte Carlo simulation analysis. The model has been modified (for Award Series prior to the 2009/10 Series) to incorporate an estimate of the probability of achieving the TSR hurdle and the number of share entitlements vesting.

Inputs into the model	2009/10 Series	2008/09 Series	2007/08 Series
Grant date share price	$13.45	$23.00	$32.00
Exercise price	Nil	Nil	Nil
Expected volatility	35% p.a.	35% p.a.	30% p.a.
Share entitlement life	3 years	3 years*	3 years*
Dividend yield	3.5%	3.5%	2.5%
Risk-free interest rate	4.51%	6.2%	6.4%

* In accordance with the Plan, the measurement of performance criteria is at the end of the three year period ending 30 June 2011 for the 2008/09 Series and 30 June 2010 for the 2007/08 Series, however if the performance criteria are not fully achieved, further assessments during the fourth year may apply.

Directors' Report (cont.)

The following reconciles the outstanding share entitlements granted under the Plan at the beginning and end of the financial year:

	2009	2008
	Number of share entitlements	Number of share entitlements
Balance at beginning of the financial year	116,250	92,508
Granted during the financial year – 2009/10 Series and 2008/09 Series	75,353	23,742
Balance at end of the financial year [i]	191,603	116,250
Exercisable at end of the financial year [i]	33,808	48,998

No share entitlements granted under the Plan were exercised during the financial year.

i. Balance at end of the financial year:
The share entitlements outstanding at the end of the financial year had an exercise price of nil. The share entitlements outstanding at the end of the financial year, excluding the share entitlements exercisable at the end of financial year, had a weighted average remaining contractual life of 834 days (2008: 494 days). A further 365 days may be available if the performance criteria is not achieved at the end of the three year measurement period.

The following is a summary of movements in Awards in respect of key management personnel:

2009	Balance at 1 July 2008 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30 June 2009 No.	Balance vested at 30 June 2009 No.	Vested but not exercisable No.	Vested and exercisable No.	Vested during year No.
PJ Williams	35,036	-	-	-	35,036	15,190	15,190	-	15,190
T Ryan	16,002	11,965	-	-	27,967	7,051	-	7,051	7,051
HH Kalman	16,002	11,965	-	-	27,967	7,051	-	7,051	7,051
SR Manuell	15,055	10,885	-	-	25,940	6,751	-	6,751	6,751
PB Maddox	12,759	10,322	-	-	23,081	6,319	-	6,319	6,319
MSF Godfrey	7,868	9,564	-	-	17,432	1,646	-	1,646	1,646
AD Young	1,369	-	-	-	1,369	-	-	-	-

2008	Balance at 1 July 2007 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30 June 2008 No.	Balance vested at 30 June 2008 No.	Vested but not exercisable No.	Vested and exercisable No.	Vested during year No.
PJ Williams	28,157	6,879	-	-	35,036	-	-	-	-
T Ryan	12,945	3,057	-	-	16,002	-	-	-	-
HH Kalman	12,945	3,057	-	-	16,002	-	-	-	-
SR Manuell	12,252	2,803	-	-	15,055	-	-	-	-
PB Maddox	11,453	1,306	-	-	12,759	-	-	-	-
MSF Godfrey	5,575	2,293	-	-	7,868	-	-	-	-
AD Young	-	1,369	-	-	1,369	-	-	-	-

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 10 to the financial statements.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 16 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,

Mr Peter J Williams
Managing Director
Dated 27 August 2009

Board of Directors' Profiles

The qualifications and experience of the Board of Directors of Equity Trustees Limited, before, during and since the year ended 30 June 2009.

JA (Tony) Killen, Chairman

BA, FAICD, FAIM

Chairman since August 2007
Non-Executive Director since September 2002
Member of Equity Trustees' Remuneration & HR Committee since September 2004

Tony is a non-executive director of listed companies, IRESS Market Technology Ltd and Templeton Global Growth Fund Ltd. He is a non-executive director of Catholic Church Insurances Ltd and CCI Investment Management Ltd.

Tony is a former Group Managing Director and Chief Executive Officer of AXA Asia Pacific Holdings Ltd, having had a 36 year career with the National Mutual/AXA group. He is also a former Chairman of St Vincents Public Hospital Melbourne, St Vincents and Mercy Private Hospital, and Australia's largest not-for-profit health service, St Vincents Health Australia, formerly known as the Sisters of Charity Health Service.

David Groves, Deputy Chairman

B.Com, M.Com, CA, FAICD

Deputy Chairman since December 2007
Non-Executive Director since November 2000
Chairman of Equity Trustees' Audit and Compliance Committee since January 2003

David is a director of Tassal Group Ltd and Kambala, a leading Australian girls' school in Sydney. He is a member of MIR Management Limited Advisory Council and also an executive director of a number of private companies.

David is a former director of GrainCorp Limited, Mason Stewart Publishing and Camelot Resources NL and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

Peter Williams, Managing Director

Dip.AII, MAICD, FAIM

Executive Director since March 2003

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).

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

In 1988, Peter was appointed general manager, National Mutual Asia Ltd, working out of Hong Kong. On return to Australia in 1993, Peter became national marketing manager at National Mutual Funds Management. In 1996, he became general manager and chief executive officer of AXA Trustees Ltd.

In 2000, Peter was appointed general manager, Superannuation & Portfolio Services at Perpetual Limited.

Directorships have included NM Superannuation Pty Ltd, including two years as its chairman, two years as the national president of the Trustee Corporations Association of Australia and Peter is a current board member of that organisation. Peter was a director and vice-chairman of Austcham (the Australian Chamber of Commerce) in Hong Kong. In February 2005, Peter was appointed to the Board of the Australian Baseball Federation. In August 2009, Peter was appointed to the Board of Olympic Park Sports Medical Centre Pty Ltd.

John McConnell

B.Com, FAICD, FAIM, F Fin

**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, where his roles included Managing Director of Corporate Banking and Retail Banking, and Deputy Managing Director of Esanda Finance Corporation Ltd.

John is a director of ASG Group Ltd and Kew East Financial Services Ltd and was previously a director of Breville Group Ltd and Guilford Investments Ltd. 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.

Barry Jackson

B.Com (Hons), MAICD

**Non-Executive Director since September 2002
Chairman of Equity Trustees' Remuneration & HR Committee since December 2007 and a member since September 2004**

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 Paperlinx Limited. Barry was previously a director of St Vincent's Institute of Medical Research, CSR Limited and Alesco Corporation Limited.

Alice Williams

B.Com, FCPA, FAICD, AIF, CFA

**Non-Executive Director since September 2007
Member of Equity Trustees' Audit & Compliance Committee since September 2007**

Alice has extensive experience in the financial services sector, having previously served as a director of State Trustees Limited and senior management positions with a number of Australian and international investment banks, including NM Rothschild and Sons (Australia) Limited, JP Morgan Australia, Hong Kong Bank of Australia Limited and Citibank (NA).

Alice is a director of AirServices Australia, Guild Group Ltd and Victorian Funds Management Corporation. Alice is also a Council Member of The Cancer Council of Victoria.

In addition, Alice undertakes a variety of consulting roles to corporate, Government and not-for-profit organisations specialising in strategic and business planning, debt restructuring, equity raising and corporate governance.

Alice was previously a director of Western Health, Australian Accounting Standards Board, Telstra Sale Company, V/Line Corporation and Commissioner of the Victorian Competition and Efficiency Commission.

The Hon Jeffrey Kennett AC

Hon. DBus (Ballarat)

**Non-Executive Director since September 2008
Member of Equity Trustees' Remuneration & HR Committee since September 2008**

Jeff was an Officer in the Royal Australian Regiment, serving at home and overseas. He was a Member of the Victorian Parliament for 23 years, and was Premier of the State from 1992 to 1999.

He is currently Chairman of Open Windows Australia Proprietary Limited, Australian Commercial Catering Pty Ltd and Chairman of the Board of Management of PFD Food Services Pty Ltd. Jeff is a director of Jumbuck Entertainment Limited and is Chairman of Beyondblue, the national depression initiative. He is President of the Hawthorn Football Club and patron of a number of community organisations.

Jeff was awarded the Companion of the Order of Australia in 2005.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

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Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Equity Trustees Limited
Level 2, 575 Bourke Street
Melbourne VIC 3000

27 August 2009

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 2009, 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

G J McLean
Partner
Chartered Accountants

Corporate Governance Statement

Equity Trustees Limited's **('EQT' or the 'company')** approach to corporate governance aims to achieve long-term prosperity while meeting stakeholders' expectations of sound corporate governance practices by determining and adopting the most appropriate corporate governance arrangements.

EQT holds Registerable Superannuation Entity ('RSE') Licence L0003094 which enables it to act as trustee of registered superannuation funds, and as such, is regulated by the Australian Prudential Regulation Authority ('APRA'). EQT also holds Australian Financial Services Licence 240975 which in broad terms enables it to provide financial advice, deal in securities, act as responsible entity of registered managed investment schemes and also undertake a number of other associated services. As such it is supervised by the Australian Securities & Investments Commission ('ASIC'). EQT is listed on the Australian Securities Exchange ('ASX'). EQT's governance obligations include various APRA Governance Standards, ASX Listing Rules, the ASX Corporate Governance Council's Principles and Australian corporate law requirements.

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 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 Principles which have not been followed and provide reasons for the company's decision.

As detailed in this Corporate Governance Statement, EQT considers its governance practices comply with all but one of the ASX Corporate Governance Council – *Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition)*. The Principles suggest that the company should establish a nomination committee (Principle 2), however EQT believes that the full Board itself, rather than a committee, can adequately perform this task.

Principle 1 – Lay solid foundations for management and oversight

The Board's Charter details the composition and role and responsibilities of the Board, and its relationship with management to accomplish the Board's primary role of promoting the long-term health and prosperity of EQT.

A copy of the Board Charter is available on EQT's website.

As set out in the Board Charter, the Board has delegated specific authorities to the various Board Committees and the Managing Director. In addition, EQT's Executive Committee, Due Diligence Committee, Superannuation Compliance Committee and Investment Management Committee operate under approved Charters with specific authorities delegated by the Board. Under the delegated authorities, the Board has reserved a number of discretions for itself or a Board Committee. These discretions include oversight of the company, appointing and removing the Managing Director, ratifying the appointment of senior executives, providing input to and approval of corporate strategy, reviewing and monitoring risk and compliance systems, monitoring of senior executives performance and implementation of strategy, capital management, and monitoring and approval of financial reporting.

Management Committees

As part of EQT'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 company's asset management activities and developing its investment style and process, developing appropriate asset allocation frameworks, and assessing and reviewing external investment markets and investment managers. This committee also monitors EQT's investment portfolio.

Corporate Governance Statement (cont.)

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 where it acts as agent, executor or trustee having regard to the company's 'prudent person' responsibilities under the Trustee Act; and the superannuation portfolios for which the company acts as trustee in light of its investment strategy responsibilities under the Superannuation Industry (Supervision) Act.

Due Diligence Committee

The primary functions of this committee include monitoring due diligence across the company, reviewing disclosure documents, considering proposed changes to compliance plans, constitutions and trust deeds for registered managed investment schemes and RSE's for which the company acts as responsible entity or trustee, and reviewing new business proposals for appointment as trustee or responsible entity, for recommendation to the Board.

Superannuation Compliance Committee

The primary function of this committee is to monitor the operation of RSE's for which EQT acts as RSE licensee. The committee monitors RSE funds' investment strategies, insurance claims and payments, and financial hardship requests and payments. This committee works in conjunction with other committees in undertaking some of its functions, for example with the Due Diligence Committee, which reviews superannuation product disclosure statements.

Funds Review Committee

The primary functions of this committee include monitoring asset allocations for internally managed funds as well as nominated company funds, within approved parameters. The committee also considers and approves new mortgage loans for the EQT Wholesale Mortgage Income Fund and develops proposals for new investment products.

Trust Review Committee

The primary function of this committee is to formalise and monitor the decision making process for the exercise of discretion or application of power by the company, where it acts in its capacity as an agent, executor or trustee. The Committee seeks to formalise the decision making process and individual levels of authority within an appropriately constituted and accountable committee.

Executive performance evaluation and remuneration

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 after consultation with the Board. The performance criteria for each executive is set at the beginning of the year. Performance against financial criteria is reviewed monthly with a formal performance review undertaken half-yearly and at the end of the period.

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 rewards with shareholder value. Please see the Remuneration Report commencing on page 6 for further information on executives' remuneration.

There is currently a short-term share-based payment plan for employees, known as the Employee Share Acquisition Plan ('ESAP'). ESAP may be activated by the Board after considering the financial performance of the group for the preceding year. If activated, employees receive an annual allocation of no more than $1,000 worth of shares in the company at no cost. Long-term executive remuneration is based on a share plan in accordance with the Executive Performance Share Plan 1999 ('the Plan'). This plan was approved at the 1999 Annual General Meeting of the company. Executive participation is approved by the Board via the Remuneration and Human Resources Committee each year.

Each of the reviews mentioned above has been completed during the period in accordance with the process.

Please refer to Principle 8 and the Directors' Report for details of directors' remuneration.

Principle 2 – Structure the Board to add value

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 at least 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.

Skills, experience and expertise

The skills, experience, and expertise of each director is included in the Directors' Report.

Independent directors

EQT 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 its 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 the director 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.

Following consideration of the above, the Board considers all non-executive directors to be independent.

Relationships

At each Board meeting, directors are required to disclose any matters that may give rise to a potential or actual conflict of interest in relation to the business being considered by the Board. Any matters that are declared by a director are recorded. Depending on the interest declared, the Chairman may direct that the relevant director should temporarily leave the meeting, or remain and either participate in, or abstain from, any discussion or decision on the relevant business.

The Board encourages directors to acquire shares in EQT. It believes that this assists in aligning the interests of directors with other shareholders.

As at 30 June 2009, Mr David Groves, through related entities, held 7.04% of Equity Trustees Limited. The Board has considered the current Shareholder Register, including other substantial shareholdings and considers that Mr Groves' holding would not place him in a position of conflict nor would it enable Mr Groves to unduly influence the Board.

Other than remuneration paid to the Managing Director, director's fees and entitlements paid to non-executive directors, there are no other material relationships between the company and any 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 EQT's operations or undertakings, in order to fulfil their duties and responsibilities as a director.

Period of office

Please see the Directors' Report for the date of appointment of each director.

Nomination committee

Following consideration of Principle 2, the Board has not constituted a Nomination Committee. Rather, the Board has determined, that given its current size and experience, the tasks normally undertaken by a Nomination Committee are better performed by the full Board itself.

Corporate Governance Statement (cont.)

Board performance

The Board regularly reviews its own overall performance, as well as the performance of its committees, individual independent directors and the Managing Director.

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

A review of the performance and composition of the Board is undertaken on an annual basis and has been completed during the financial year. 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 are most appropriate to the company's objectives. Any appointee must meet appropriate ethical and reputation standards.

Principle 3 – Promote ethical and responsible decision making

Code of conduct

EQT is committed to maintaining high standards of integrity and conducting its business in accordance with high standards of ethical behaviour. As part of this commitment, the Board 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.

The Objectives of the Code of Practice as it applies to the company include:

- defining high professional and ethical standards to be met;
- promoting disclosure of relevant and useful information 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.

Dealing in company's securities

EQT has implemented a Securities Dealing Policy ('Policy') which provides guidance for directors and employees regarding the acquisition and disposal of EQT securities. Whilst directors and employees are encouraged to be long-term holders of EQT's securities, it is important that care is taken in the timing of any acquisition or disposal of securities in EQT.

In particular the Policy notes that the only appropriate time for directors and employees (and their immediate family members and any person or entity over which they have a degree of control or influence) to acquire, dispose of, or engage in other dealings in EQT's securities is when they are not in possession of price sensitive information which is not generally available to the market.

In addition, to avoid any adverse inference being drawn as to unfair dealing, the Policy provides that directors and employees should not deal in EQT's securities during the following periods (Prohibited Periods), being the two months immediately before the release of EQT's half-yearly or yearly results, and the two weeks immediately before EQT's Annual General Meeting.

All dealings in shares of the company by directors are promptly notified to the ASX.

Using company securities as collateral

Under the Policy, directors and employees of EQT are required to exercise care if borrowing monies to purchase EQT securities, or offering EQT securities held by them as collateral, to ensure that their obligations under the borrowing arrangements do not, and cannot, conflict with their obligations under the Policy. In particular, unless a particular arrangement has been approved by the EQT Board, directors and employees are not permitted to enter into arrangements such as margin loans or arrangements involving EQT securities being provided as collateral to secure repayment of a loan, where the lender is granted a right to sell, or compel the sale of, the person's EQT securities at any time when the Policy may prohibit the person from dealing in the securities.

Under the Policy, EQT directors and employees are required to advise the Company Secretary of any arrangements to which they, or a connected person are a party, involving EQT securities being used as collateral to secure repayment of a loan or other financial accommodation.

If a particular arrangement has been approved by the EQT Board, and the EQT securities held as collateral to secure a loan represent 5% or more of EQT's issued share capital, then a notice is to be issued to the ASX outlining the arrangements.

Principle 4 – Safeguard integrity in financial reporting

Board Audit & Compliance Committee

The Board operates an Audit & Compliance Committee which, consistent with this Principle, 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 Board. The current members of the Audit and Compliance Committee are:

Name	Date appointed
David F Groves (Chairman)	Committee – 1 January 2002 Chairman – 30 January 2003
John R McConnell	30 January 2003
Alice JM Williams	12 September 2007

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

The Audit & Compliance Committee operates under a formal charter which sets out various 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 & 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 a review of the respective audit plans; and
- compliance by EQT with compliance plans developed for registered managed investment schemes for which the company acts as responsible entity.

The Audit & Compliance Committee generally invites the Managing Director, Compliance Manager, Chief Financial Officer, relevant responsible managers, and the internal and external auditors to attend its meetings. The Audit & Compliance Committee also meets with and receives regular reports from the internal and external auditors and Compliance Manager concerning any matters that arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Corporate Governance Statement (cont.)

Principle 5 – Make timely and balanced disclosure

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

- there is equal 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 company provides regular updates on its financial position and performance to the market, via the ASX. It regularly reviews the Shareholder Register and provides relevant shareholder information in its Annual Report. The company maintains and periodically updates corporate governance information on its website.

In making information available, EQT seeks to do so with a balanced approach. This includes providing all factual information in a manner that will not mislead the reader.

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

Principle 6 – Respect the rights of shareholders

Communication to shareholders and the market

The Board is committed to effective communication with its shareholders and the market and believes that shareholders should be fully informed in a timely manner of all major business events that may influence the company and its businesses.

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.

Principle 7 – Recognise and manage risk

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 & 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. An internal audit program is approved annually by the Audit & Compliance Committee. The program is risk based, with the Board, through the Audit & Compliance Committee receiving regular reports on the company's internal control systems.

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 & Compliance Committee, the scope and program of the internal audit function.

Financial reporting

To support the company's 2009 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 that 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.

External auditors

The Audit & Compliance Committee reviews the adequacy of the external audit arrangements including the scope and quality of the audit. Where appropriate, the Audit & 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.

The Audit & Compliance Committee approves the provision of any non-audit services to the company or its funds where fees for the services exceed $50,000.

Principle 8 – Remunerate fairly and responsibly

This Principle relates to directors' remuneration.

The Board has established a Remuneration and Human Resources Committee that reviews and sets the remuneration of all directors (including the Managing Director), within the limits approved by shareholders at an Annual General Meeting, and reviews and approves the remuneration of executives 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 out in the financial statements and Remuneration Report. Currently directors are only entitled to their directors' fee and superannuation allowance. However, some directors have an existing entitlement to other retirement allowances which are no longer made available by the company. Full details of the directors' retiring allowances are contained in the Remuneration Report.

Members of the Remuneration and Human Resources Committee are:

Name	Date appointed
Barry J Jackson (Chairman)	8 September 2004
J A (Tony) Killen	8 September 2004
The Hon Jeffrey Kennett AC	1 September 2008

Attendance at meetings, and qualifications and experience of the members of the committee are contained in the Directors' Report.

Non-executive directors' fees are determined by the Board within limits approved by shareholders. At the general meeting of the company held 31 October 2008, shareholders approved an aggregate limit of fees of $750,000 p.a.

Directors' Declaration

Equity Trustees Limited
ABN 46 004 031 298

Directors' Declaration for the financial year ended 30 June 2009

The directors declare that:

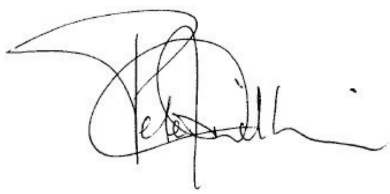
a. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

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 Company and the Group; and

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

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

On behalf of the directors



Mr Peter J Williams
Managing Director

Melbourne, 27 August 2009

Financial Report 2009

Income Statement for the Financial Year Ended 30 June 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
Revenue	5	32,581,264	37,877,319	24,222,052	30,060,369
Other revenue	5	1,919,903	1,754,139	1,807,019	1,658,241
Total revenue	5	34,501,167	39,631,458	26,029,071	31,718,610
Employee benefits expenses	7	15,618,128	16,148,773	11,535,164	12,636,802
Other employment and consulting expenses		809,027	891,517	568,049	589,327
Audit and tax advice expenses		302,993	322,633	238,068	285,787
Depreciation and amortisation expenses	7	1,694,512	986,958	1,505,361	835,082
Management rights amortisation	7	197,271	145,552	-	-
Insurance expenses		480,384	532,551	408,355	458,143
Financial, legal and regulatory expenses		136,085	420,207	101,930	410,137
Marketing expenses		976,354	1,284,132	922,450	1,230,118
Information technology expenses		1,242,379	1,318,552	1,125,651	1,159,733
Occupancy expenses		1,192,018	1,166,766	938,500	897,165
Other expenses		229,436	1,434,157	(117,635)	1,010,679
Impairment of investments	7	373,000	224,899	373,000	224,899
Total expenses		23,251,587	24,876,697	17,598,893	19,737,872
Profit before income tax expense		11,249,580	14,754,761	8,430,178	11,980,738
Income tax expense	8	3,237,709	4,189,410	2,327,417	3,296,075
Profit from continuing operations		8,011,871	10,565,351	6,102,761	8,684,663
Profit for the year		8,011,871	10,565,351	6,102,761	8,684,663
Profit attributable to equity holders of the parent		8,011,871	10,565,351	6,102,761	8,684,663
Earnings per share					
- Basic (cents per share)	30	98.45	133.35		
- Diluted (cents per share)	30	97.93	131.79		

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Balance Sheet as at 30 June 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
Current assets					
Cash and cash equivalents	38	3,180,486	1,473,219	2,589,088	771,688
Trade and other receivables	11	3,256,853	3,204,860	3,214,412	3,166,396
Other current financial assets	12	10,097,741	10,638,825	9,919,952	10,638,825
Other	13	2,004,702	3,553,881	1,802,062	3,038,336
Total current assets		18,539,782	18,870,785	17,525,514	17,615,245
Non-current assets					
Trade and other receivables	14	143,994	143,994	143,994	143,994
Other financial assets	15	1,251,893	4,232,442	22,059,389	26,381,851
Reserve fund	19	4,800,000	5,700,000	4,800,000	5,700,000
Property, plant and equipment	16	1,105,595	1,470,616	828,486	1,063,285
Intangible assets	17	21,609,191	21,620,501	2,109,773	1,764,036
Deferred tax assets	8	1,193,754	1,742,654	1,036,054	1,520,193
Goodwill	20	8,230,331	8,620,303	-	-
Total non-current assets		38,334,758	43,530,510	30,977,696	36,573,359
Total assets		56,874,540	62,401,295	48,503,210	54,188,604
Current liabilities					
Trade and other payables	21	419,847	1,168,254	195,169	659,316
Provisions	22	975,846	2,588,196	850,450	2,472,686
Other current liabilities	23	156,634	1,790,135	104,735	310,724
Current tax payable	8	519,131	1,921,738	519,131	1,921,738
Total current liabilities		2,071,458	7,468,323	1,669,485	5,364,464
Non-current liabilities					
Provisions	24	1,154,687	1,340,411	863,167	1,070,571
Other non-current liabilities	25	84,419	282,847	191,338	319,501
Deferred tax liabilities - investment revaluation	8	654,606	1,305,136	654,606	1,305,136
Total non-current liabilities		1,893,712	2,928,394	1,709,111	2,695,208
Total liabilities		3,965,170	10,396,717	3,378,596	8,059,672
Net assets		52,909,370	52,004,578	45,124,614	46,128,932
Equity					
Issued capital	27	38,198,748	34,492,421	38,198,748	34,492,421
Investment revaluation reserve	29	1,553,509	3,106,094	1,553,509	3,106,094
Other reserves	28	2,681,739	3,030,128	2,681,739	3,030,128
Retained earnings		10,475,374	11,375,935	2,690,618	5,500,289
Equity attributable to equity holders of the parent		52,909,370	52,004,578	45,124,614	46,128,932
Total equity		52,909,370	52,004,578	45,124,614	46,128,932

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity for the Financial Year Ended 30 June 2009

Consolidated		Reserves				
	Fully paid ordinary shares $	General $	Investment revaluation $	Capital profit $	Retained earnings $	Equity settled employee benefits $
Balance at 1 July 2007	29,469,242	1,500,000	4,241,007	254,201	8,305,451	668,329
Decrease from revaluation of available for sale investments	-	-	(1,404,933)	-	-	-
Related income tax	-	-	416,833	-	-	-
Net income recognised directly in equity	-	-	(988,100)	-	-	-
Profit for the period	-	-	-	-	10,565,351	-
Gain on sale of available for sale investments	-	-	(439,639)	-	-	-
Related income tax	-	-	135,397	-	-	-
Impaired investment	-	-	224,899	-	-	-
Related tax	-	-	(67,470)	-	-	-
Total recognised income and expense	-	-	(1,134,913)	-	10,565,351	-
Shares issued under share placement	2,606,560	-	-	-	-	-
Shares issued under dividend reinvestment plan	2,290,173	-	-	-	-	-
Shares issued under employee share acquisition scheme	113,883	-	-	-	-	-
Share issue costs	(67,582)	-	-	-	-	-
Related income tax	80,145	-	-	-	-	-
Provision for executive share entitlements - movement	-	-	-	-	-	590,598
Provision for employee share acquisition plan shares - movement	-	-	-	-	-	17,000
Payment of dividends	-	-	-	-	(7,494,867)	-
Balance at 30 June 2008	34,492,421	1,500,000	3,106,094	254,201	11,375,935	1,275,927
Decrease from revaluation of available for sale investments	-	-	(1,906,168)	-	-	-
Related income tax	-	-	566,707	-	-	-
Net income recognised directly in equity	-	-	(1,339,461)	-	-	-
Profit for the period	-	-	-	-	8,011,871	-
Gain on sale of available for sale investments	-	-	(669,947)	-	-	-
Related income tax	-	-	195,723	-	-	-
Impaired investment	-	-	373,000	-	-	-
Related tax	-	-	(111,900)	-	-	-
Total recognised income and expense	-	-	(1,552,585)	-	8,011,871	-
Shares issued under dividend reinvestment plan	3,074,888	-	-	-	-	-
Shares issued under employee share acquisition scheme	137,368	-	-	-	-	-
Shares issued - executive share entitlements	505,169	-	-	-	-	-
Share issue costs	(15,855)	-	-	-	-	-
Related income tax	4,757	-	-	-	-	-
Provision for executive share entitlements - movement	-	-	-	-	-	(358,389)
Provision for employee share acquisition plan shares - movement	-	-	-	-	-	10,000
Payment of dividends	-	-	-	-	(8,912,432)	-
Balance at 30 June 2009	38,198,748	1,500,000	1,553,509	254,201	10,475,374	927,538

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Company	Reserves					
	Fully paid ordinary shares $	General $	Investment revaluation $	Capital profit $	Retained earnings $	Equity settled employee benefits $
Balance at 1 July 2007	29,469,242	1,500,000	4,241,007	254,201	4,310,494	668,329
Decrease from revaluation of available for sale investments	-	-	(1,404,933)	-	-	-
Related income tax	-	-	416,833	-	-	-
Net income recognised directly in equity	-	-	(988,100)	-	-	-
Profit for the period	-	-	-	-	8,684,663	-
Gain on sale of available for sale investments	-	-	(439,639)	-	-	-
Related income tax	-	-	135,397	-	-	-
Impaired investment	-	-	224,899	-	-	-
Related tax	-	-	(67,470)	-	-	-
Total recognised income and expense	-	-	(1,134,913)	-	8,684,663	-
Shares issued under share placement	2,606,560	-	-	-	-	-
Shares issued under dividend reinvestment plan	2,290,173	-	-	-	-	-
Shares issued under employee share acquisition scheme	113,883	-	-	-	-	-
Share issue costs	(67,582)	-	-	-	-	-
Related income tax	80,145	-	-	-	-	-
Provision for executive share entitlements - movement	-	-	-	-	-	590,598
Provision for employee share acquisition plan shares - movement	-	-	-	-	-	17,000
Payment of dividends	-	-	-	-	(7,494,868)	-
Balance at 30 June 2008	34,492,421	1,500,000	3,106,094	254,201	5,500,289	1,275,927
Decrease from revaluation of available for sale investments	-	-	(1,906,168)	-	-	-
Related income tax	-	-	566,707	-	-	-
Net income recognised directly in equity	-	-	(1,339,461)	-	-	-
Profit for the period	-	-	-	-	6,102,761	-
Gain on sale of available for sale investments	-	-	(669,947)	-	-	-
Related income tax	-	-	195,723	-	-	-
Impaired investment	-	-	373,000	-	-	-
Related tax	-	-	(111,900)	-	-	-
Total recognised income and expense	-	-	(1,552,585)	-	6,102,761	-
Shares issued under dividend reinvestment plan	3,074,888	-	-	-	-	-
Shares issued under employee share acquisition scheme	137,368	-	-	-	-	-
Shares issued - executive share entitlements	505,169	-	-	-	-	-
Share issue costs	(15,855)	-	-	-	-	-
Related income tax	4,757	-	-	-	-	-
Provision for executive share entitlements - movement	-	-	-	-	-	(358,389)
Provision for employee share acquisition plan shares - movement	-	-	-	-	-	10,000
Payment of dividends	-	-	-	-	(8,912,432)	-
Balance at 30 June 2009	38,198,748	1,500,000	1,553,509	254,201	2,690,618	927,538

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Cash Flow Statement for the Financial Year Ended 30 June 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
Cash flows from operating activities					
Receipts from customers		37,944,943	39,736,283	27,757,194	31,440,969
Payments to suppliers and employees		(27,249,787)	(26,777,237)	(20,285,465)	(21,232,450)
Income tax paid		(4,100,000)	(4,648,458)	(4,100,000)	(4,648,458)
Net cash provided by operating activities	38 (b)	6,595,156	8,310,588	3,371,729	5,560,061
Cash flows from investing activities					
Payment for investment securities		(1,026,525)	(516,270)	(1,026,525)	(516,270)
Proceeds on sale of investment securities		2,994,415	3,694,850	2,994,415	3,694,850
Interest received		708,509	901,841	670,686	852,534
Dividends received		365,786	362,726	365,786	362,726
Proceeds from repayment of related party loans		-	-	3,240,528	2,588,017
Payment for property, plant and equipment		(414,030)	(695,076)	(414,030)	(611,622)
Payment for intangible assets		(1,228,178)	(689,386)	(1,228,178)	(689,386)
Amounts advanced to related parties		-	-	(1,021,836)	(4,804,943)
Payment for businesses		(974,902)	(8,906,488)	-	(4,107,145)
Net cash provided by/(used in) investing activities		425,075	(5,847,803)	3,580,846	(3,231,239)
Cash flows from financing activities					
Proceeds from issue of equity securities		-	2,606,560	-	2,606,560
Payment for share issue cost		(15,855)	(67,582)	(15,855)	(67,582)
Dividend paid to members of the parent entity (net of shares issued under dividend reinvestment plan)		(5,838,193)	(5,203,915)	(5,838,193)	(5,203,915)
Net cash provided by financing activities		(5,854,048)	(2,664,937)	(5,854,048)	(2,664,937)
Net (decrease)/increase in cash held		1,166,183	(202,152)	1,098,527	(336,115)
Cash and cash equivalents at beginning of financial year		12,112,044	12,314,196	11,410,513	11,746,628
Cash and cash equivalents at end of financial year	38 (a)	13,278,227	12,112,044	12,509,040	11,410,513

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009

1. General information

Equity Trustees Limited ('the Company') is a public company listed on the Australian Securities Exchange (trading under the symbol 'EQT'), incorporated in Australia and operating solely in Australia.

Equity Trustees Limited's registered office and its principal place of business is level 2, 575 Bourke Street, Melbourne, Victoria 3000, Australia. Equity Trustees Limited and its subsidiaries (refer Note 34) are referred to as 'the Group' in the following notes.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the consolidated financial statements and notes of the Group and the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 August 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are set out below, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised accounting standards

In the current year, the Company and the Group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to their operations and effective for the current annual reporting period.

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

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

b. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's

2. Significant accounting policies (cont.)

b. Business combinations (cont.)

identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

c. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

d. Comparative amounts

When the presentation or classification of items in the financial report is amended, comparative amounts shall be reclassified unless the reclassification is impracticable.

When comparative amounts are reclassified, an entity shall disclose:

i. the nature of the reclassification;
ii. the amount of each item or class of items that is reclassified; and
iii. the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

i. the reason for not reclassifying the amounts; and
ii. the nature of the adjustments that would have been made if the amounts had been reclassified.

e. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and directors' retiring allowance when it is probable that settlement will be required and they are capable of being measured reliably. The directors' retiring allowance was frozen as at 31 December 2005 except for an annual inflation adjustment in line with the movement in CPI.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

f. Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank which is included under cash and cash equivalents in the balance sheet and also short term deposits which are included under other current financial assets.

Available-for-sale financial assets

Certain shares, and investments in managed investment schemes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 39. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve with the exception of impairment losses, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

f. Financial assets (cont.)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

g. Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in Note 2 (r).

Other financial liabilities

The financial liabilities of the Group are classified as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2. Significant accounting policies (cont.)

h. Goods and services tax

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 cash flow statement 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.

i. Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs'), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets of the CGU (or group of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or group of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

j. Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

k. Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

k. Impairment of other tangible and intangible assets (cont.)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

l. Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis, apart from the deferred tax liability arising in relation to the investment revaluation reserve recognised directly in equity, which is shown separately.

Tax consolidation

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Equity Trustees Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under

2. Significant accounting policies (cont.)

l. Income tax (cont.)

tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

m. Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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 (refer Note 2(k)). Management rights relating to the acquisition of the Freedom of Choice, Equity Superannuation Management and Holdfast Fund Services businesses are recorded at cost less accumulated amortisation and accumulated impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Useful lives of finite life intangible assets

The following useful lives are used in the calculation of amortisation expense:

Software	2 – 6 years
Management rights	5 – 12 years
Makegood asset	3 – 8 years

n. Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o. Payables

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

p. Property, plant and equipment

Plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant, equipment and leasehold improvements. 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 to its estimated residual value. Leasehold improvements are

p. Property, plant and equipment (cont.)

depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. The gain or loss arising on disposal or retirement of an item of plant, equipment or leasehold improvement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Computer and telecommunication equipment	2 – 8 years
Office furniture and equipment	2 – 15 years
Leasehold improvements	2 – 8 years

q. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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 virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’ and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 ‘Revenue’.

r. Revenue

Revenue is measured at the fair value of the consideration received or receivable on an accruals basis. Revenue is reduced for rebates and other similar allowances.

Corpus commission

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

Dividend and interest revenue

Dividend revenue from investments is recognised when the Group’s right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

s. Share-based payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. The Group has two types of equity settled share-based payments: the Long Term Incentive Awards and the Employee Share Acquisition Plan.

Fair value of the Long Term Incentive Awards is measured by using an adjusted form of the Black-Scholes option pricing model that incorporates a Monte Carlo simulation analysis. The model has been modified to incorporate an estimate of the probability of achieving the performance hurdle and the number of Awards vesting. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Where equity-settled share-based payments are intended to be made but not granted at reporting date, a provision is made in the accounts for the expected cost in relation to the reporting period.

Shares issued under the Employee Share Acquisition Plan are valued at fair value determined at the date of issue to employees and this amount is expensed in the income statement with a corresponding entry in issued capital.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. There were no cash-settled share-based payments.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

2. Significant accounting policies (cont.)

t. Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the Company:

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009.	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010 (except for amendments made to guidance to AASB 118 'Revenue' that have no explicit application date and are taken to be immediately effective)	30 June 2011
AASB 2009-6 'Amendments to Australian Accounting Standards'	1 January 2009 (applicable to financial years beginning on or after 1 January 2009 that end on or after 30 June 2009)	30 June 2010
AASB 2009-7 'Amendments to Australian Accounting Standards'	1 July 2009	30 June 2010
AASB 1 'First-time Adoption of Australian Accounting Standards'	1 July 2009	30 June 2010

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee Entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future increases in on-costs; and
- experience of employee departures and probability of period of service being achieved.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and indefinite life management rights

Determining whether goodwill or the indefinite life management rights are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and the indefinite life management rights have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill is $8,230,331 and $19,346,785 for the management rights at 30 June 2009 (2008: $8,620,303 goodwill and $19,651,884 management rights). No impairment has been identified (30 June 2008: nil).

Intangible assets

The useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

Useful lives of property, plant and equipment

As described in Note 2 (p), the Group reviews the estimated useful lives of plant and equipment and leasehold improvements at the end of each annual reporting period. During this financial year, the directors have not determined any changes should be made to the useful lives of plant and equipment and leasehold improvements.

Claims

As referred to in Note 22, the claims provision represents the director's best estimate of the future outflow of economic benefits that will be required to settle identified outstanding issues.

4. Discontinued operations

The Group did not have any discontinued operations (2008: nil).

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

5. Revenue

An analysis of the Group's revenue for the year is as follows:

	Consolidated		Company	
Continuing operations	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Revenue from service activities	32,581,264	37,877,319	24,222,052	30,060,369
Rental	15,060	51,690	-	6,055
Interest revenue:				
- Bank deposits	130,093	129,115	92,269	78,852
- Investments	718,533	770,823	718,533	770,823
Dividends	316,270	362,872	316,270	362,872
Gain on sale of available-for-sale investments	669,947	439,639	669,947	439,639
Other revenue	70,000	-	10,000	-
	1,919,903	1,754,139	1,807,019	1,658,241
Total revenue	34,501,167	39,631,458	26,029,071	31,718,610

6. Finance cost

Neither the Group nor the Company have any borrowings. The finance cost for the year is nil (2008:$nil).

7. Profit for the year

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
a. Gains and losses				
Profit/(loss) for the year has been arrived at after crediting/ (charging) the following gains and losses:				
Reversal of gain from equity on disposal of investments classified as available-for-sale	669,947	439,639	669,947	439,639
Government grants received for staff training	-	7,500	-	7,500
	669,947	447,139	669,947	447,139
Loss on disposal of property, plant and equipment	(25,402)	(60,903)	(25,402)	(46,340)
	644,545	386,236	644,545	400,799
b. Other expenses				
Profit for the year includes the following expenses:				
Depreciation of non-current assets	646,181	499,591	508,978	381,742
Amortisation of non-current assets	1,048,331	487,367	996,383	453,340
	1,694,512	986,958	1,505,361	835,082
Amortisation of management rights	197,271	145,552	-	-
Impairment of financial instrument [i]	373,000	224,899	373,000	224,899
	2,264,783	1,357,409	1,878,361	1,059,981

i. Management has determined that there was an impairment in the value of one of the financial asset instruments and has recognised this impairment in the profit and loss account (2008: $224,899).

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Operating lease rental expenses:				
- Minimum lease payments	1,054,766	1,036,341	773,786	746,740
- Sub-lease payments received	(15,060)	(51,690)	-	(6,055)
	1,039,706	984,651	773,786	740,685
Employee benefit expense:				
Post employment benefits:				
- Defined contribution plan (Superannuation)	1,146,127	1,053,641	828,073	817,904
Share-based payments:				
- Equity-settled share-based payments	294,149	721,481	294,149	721,481
Other employee benefits	14,177,852	14,373,651	10,412,942	11,097,417
	15,618,128	16,148,773	11,535,164	12,636,802

8. Income taxes

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Income tax expense recognised in the income statement				
Income tax expense comprises:				
Current income tax expense	2,706,609	4,578,253	1,860,025	3,634,415
Adjustments recognised in the current year in relation to the current tax of prior years	(3,328)	7,932	(1,277)	1,863
Deferred tax expense relating to the origination and reversal of temporary differences	534,428	(396,775)	468,669	(340,203)
Total income tax expense	3,237,709	4,189,410	2,327,417	3,296,075
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit from operations	11,249,580	14,754,761	8,430,178	11,980,738
Income tax expense calculated at 30%	3,374,874	4,426,428	2,529,053	3,594,221
Non-deductible expenses	134,152	(147,609)	67,630	(202,668)
Other	(267,989)	(97,341)	(267,989)	(97,341)
	3,241,037	4,181,478	2,328,694	3,294,212
(Over)/under provision for income tax expense in previous year	(3,328)	7,932	(1,277)	1,863
	3,237,709	4,189,410	2,327,417	3,296,075

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Income tax expense recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
Current tax:				
Share issue expenses deductible over 5 years	(23,828)	(22,877)	(23,828)	(22,877)
Deferred tax:				
Arising on income and expenses taken directly to equity:				
Revaluations of available-for-sale securities	(566,707)	(416,833)	(566,707)	(416,833)
Arising on transactions with equity participants:				
Share issue expenses deductible over 5 years	19,071	(57,268)	19,071	(57,268)
	(547,636)	(474,101)	(547,636)	(474,101)
	(571,464)	(496,978)	(571,464)	(496,978)
Current tax assets and liabilities				
Current tax payables:				
Income tax payable attributable to:				
Parent entity	519,131	1,819,872	519,131	1,819,872
Entities in the tax-consolidated group	-	101,866	-	101,866
	519,131	1,921,738	519,131	1,921,738
Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	1,193,754	1,742,654	1,036,054	1,520,193
Deferred tax liabilities comprise:				
Temporary differences – investment revaluation	654,606	1,305,136	654,606	1,305,136

8. Income taxes

Deferred tax balances (cont.)

Deferred tax assets/(liabilities) arise from the following:

	Consolidated			
	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
2009				
Gross deferred tax assets:				
Provisions	1,751,042	(681,619)	-	1,069,423
Expenditure deductible over 5 years	120,252	(7,010)	(19,071)	94,171
Property, plant and equipment	51,976	55,368	-	107,344
Intangible assets	(180,616)	103,432	-	(77,184)
	1,742,654	(529,829)	(19,071)	1,193,754
Gross deferred tax liabilities:				
Available-for-sale investments	1,305,136	(83,823)	(566,707)	654,606
2008				
Gross deferred tax assets:				
Provisions	1,233,351	517,691	-	1,751,042
Expenditure deductible over 5 years	10,597	52,387	57,268	120,252
Property, plant and equipment	28,364	23,612	-	51,976
Intangible assets	(130,453)	(50,163)	-	(180,616)
	1,141,859	543,527	57,268	1,742,654
Gross deferred tax liabilities:				
Available-for-sale investments	1,790,171	(68,202)	(416,833)	1,305,136

	Company			
	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
2009				
Gross deferred tax assets:				
Provisions	1,538,216	(606,694)	-	931,522
Expenditure deductible over 5 years	120,252	(7,010)	(19,071)	94,171
Property, plant and equipment	42,341	34,239	-	76,580
Intangible assets	(180,616)	114,397	-	(66,219)
	1,520,193	(465,068)	(19,071)	1,036,054
Gross deferred tax liabilities:				
Available-for-sale investments	1,305,136	(83,823)	(566,707)	654,606
2008				
Gross deferred tax assets:				
Provisions	1,104,336	433,880	-	1,538,216
Expenditure deductible over 5 years	10,597	52,387	57,268	120,252
Property, plant and equipment	22,877	19,464	-	42,341
Intangible assets	(130,453)	(50,163)	-	(180,616)
	1,007,357	455,568	57,268	1,520,193
Gross deferred tax liabilities:				
Available-for-sale investments	1,790,171	(68,202)	(416,833)	1,305,136

The Group has no unrecognised deferred tax balances.

8. Income taxes (cont.)

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities formed a tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Equity Trustees Limited. The members of the tax consolidated group are identified at Note 34.

Nature of tax funding arrangements and tax-sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Equity Trustees Limited and each of the entities in the tax-consolidated group has agreed to pay or receive a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

9. Key management personnel remuneration

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
The aggregate compensation made to key management personnel of the Company and the Group is set out below:				
Short-term employee benefits	1,217,455	1,386,002	1,081,319	1,225,685
Post employment benefits (Superannuation)	168,604	177,598	72,736	73,493
Other long-term benefits	41,347	20,508	35,159	16,301
Share awards	90,679	352,963	98,456	340,359
Employee share acquisition plan	6,000	5,928	5,000	4,940
	1,524,085	1,942,999	1,292,670	1,660,778

Full details of the remuneration of key management personnel for the year ended 30 June 2009 are outlined in the Directors' Report.

The share awards of key management personnel for the year ended 30 June 2009 are outlined in the Directors' Report.

10. Auditor's remuneration

	Consolidated		Company	
Auditors – Deloitte Touche Tohmatsu	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Corporate entities				
Audit & Assurance Services				
Audit and review of the consolidated financial statements	218,092	197,779	181,000	161,593
Audit services in accordance with regulatory requirements	47,076	48,270	27,868	43,830
Other assurance services	27,100	21,462	27,100	21,462
	292,268	267,511	235,968	226,885
Other services				
Tax compliance services in respect of Group corporate entities	23,000	63,550	23,000	55,550
Other services	-	18,425	-	18,425
Total remuneration for corporate entities	315,268	349,486	258,968	300,860
Managed funds and superannuation funds				
Audit & Assurance Services				
Audit and review of the managed funds and superannuation funds*	820,134	739,070	713,468	632,860
Audit services in accordance with regulatory requirements	258,879	250,754	221,209	221,354
	1,079,013	989,824	934,677	854,214
Other services				
Taxation compliance services and review of constitutions, disclosure documents and tax returns for the Group's managed funds	304,940	204,565	226,387	204,565
Total remuneration for managed funds and superannuation funds	1,383,953	1,194,389	1,161,064	1,058,779

The 'Other services' amounts paid to Deloitte Touche Tohmatsu are in accordance with the company's auditor independence policy as outlined in the Corporate Governance Statement.

* These fees were paid for the audit of 55 managed funds (2008: 66 managed funds).

11. Current trade and other receivables

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Trade receivables	2,250,734	2,471,916	2,208,710	2,380,353
Allowance for doubtful debts	(22,142)	(91,880)	(22,142)	(91,880)
Other	1,028,261	824,824	1,027,844	877,923
	3,256,853	3,204,860	3,214,412	3,166,396

The terms of payment for all trade receivables is 14 days from invoice date. All accounts receivable outstanding more than 30 days are monitored and actively managed. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts relating to outstanding trade receivables as determined by a specific review of outstanding accounts. Factors considered in this review include the nature of the debtor, the relationship with the debtor, length of time the debt has been outstanding and knowledge of the reason for the delaying in payment.

Before accepting significant new clients the credit worthiness of these clients is assessed by either executive management or the due diligence committee ('DDC') or the registrable superannuation entity committee ('SCC') depending on the type of client. Other new client credit worthiness is assessed by business managers as is appropriate to the size and nature of those clients and also whether the client has funds deposited with the Company/Group from which the Company/Group is permitted to withdraw payment of its fees.

Included within the Group's trade receivable balance are debtors with a carrying amount of $311,770 (2008: $436,059) which are past due at the reporting date but these have not been provided for as there has not been a significant change in credit quality and the amounts are considered recoverable. The Group does not hold any collateral over these balances.

Other receivables include corpus commission, dividends and interest receivable. These receivables are with Australian stock exchange listed companies, Australian banks, Australian managed investment schemes and client accounts administered by the Company. These amounts are all considered recoverable.

	Consolidated		Company	
Trade receivables ageing of past due but not impaired	2009 $	2008 $	2009 $	2008 $
Under 30 days	175,303	219,210	141,038	148,418
30 – 60 days	90,962	68,207	86,562	55,246
Over 60 days	45,505	148,642	42,146	140,832
	311,770	436,059	269,746	344,496

	Consolidated		Company	
Movement in the allowance for doubtful debts	2009 $	2008 $	2009 $	2008 $
Balance at beginning of the year	(91,880)	(80,746)	(91,880)	(80,746)
Impairment losses recognised on trade receivables	(28,608)	(50,070)	(28,608)	(50,070)
Amounts written off as uncollectible	12,676	1,050	12,676	1,050
Impairment losses reversed	85,670	37,886	85,670	37,886
Balance at end of the year	(22,142)	(91,880)	(22,142)	(91,880)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

12. Other current financial assets

	Consolidated		Company	
Cash and cash equivalents – short-term deposits	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Short-term deposits	10,097,741	10,638,825	9,919,952	10,638,825

13. Other current assets

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Prepayments	680,945	674,406	640,789	629,279
Accrued income	1,323,757	2,879,475	1,161,273	2,409,057
	2,004,702	3,553,881	1,802,062	3,038,336

14. Non-current trade and other receivables

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Corpus commission earned but not collected	143,994	143,994	143,994	143,994

15. Other non-current financial assets

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Investments at cost:				
Shares in subsidiaries	-	-	4,188,733	4,188,733
Available-for-sale investments carried at fair value:				
Australian equities, hybrid shares and managed investments schemes	1,251,893	4,232,442	1,251,893	4,232,442
Loans carried at amortised cost:				
Intercompany loans	-	-	16,618,763	17,960,676
Total	1,251,893	4,232,442	22,059,389	26,381,851

The intercompany loans are non-interest bearing and repayable on demand.

16. Property, plant and equipment

	Consolidated			
	Computer & telecom equipment at cost $	Leasehold improve-ments at cost $	Office furniture & equipment at cost $	Total $
Gross carrying amount				
Balance at 1 July 2007	1,145,716	752,550	482,693	2,380,959
Additions	525,281	132,951	86,927	745,159
Disposals	(317,185)	-	(99,260)	(416,445)
Balance at 1 July 2008	1,353,812	885,501	470,360	2,709,673
Additions	229,827	38,435	14,956	283,218
Disposals	(7,448)	-	(5,765)	(13,213)
Balance at 30 June 2009	1,576,191	923,936	479,551	2,979,678
Accumulated depreciation/amortisation and impairment				
Balance at 1 July 2007	555,765	290,385	259,996	1,106,146
Disposals	(284,413)	-	(82,267)	(366,680)
Depreciation expense	249,157	190,064	60,370	499,591
Balance at 1 July 2008	520,509	480,449	238,099	1,239,057
Disposals	(5,389)	-	(5,766)	(11,155)
Depreciation expense	341,134	232,553	72,494	646,181
Balance at 30 June 2009	856,254	713,002	304,827	1,874,083
Net book value				
As at 30 June 2008	833,303	405,052	232,261	1,470,616
As at 30 June 2009	719,937	210,934	174,724	1,105,595

16. Property, plant and equipment (cont.)

	Company			
	Computer & telecom equipment at cost $	Leasehold improve-ments at cost $	Office furniture & equipment at cost $	Total $
Gross carrying amount				
Balance at 1 July 2007	1,020,329	485,779	324,874	1,830,982
Additions	462,443	120,622	28,781	611,846
Disposals	(318,597)	-	(67,324)	(385,921)
Balance at 1 July 2008	1,164,175	606,401	286,331	2,056,907
Additions	224,298	38,435	13,504	276,237
Disposals	(7,448)	-	(2,932)	(10,380)
Balance at 30 June 2009	1,381,025	644,836	296,903	2,322,764
Accumulated depreciation/amortisation and impairment				
Balance at 1 July 2007	509,387	239,812	213,400	962,599
Disposals	(285,825)	-	(64,894)	(350,719)
Depreciation expense	217,778	134,215	29,749	381,742
Balance at 1 July 2008	441,340	374,027	178,255	993,622
Disposals	(5,389)	-	(2,933)	(8,322)
Depreciation expense	297,597	176,713	34,668	508,978
Balance at 30 June 2009	733,548	550,740	209,990	1,494,278
Net book value				
As at 30 June 2008	722,835	232,374	108,076	1,063,285
As at 30 June 2009	647,477	94,096	86,913	828,486

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Aggregate depreciation recognised as an expense during the year:				
Computer and telecom equipment	341,134	249,157	297,597	217,778
Leasehold improvements	232,553	190,064	176,713	134,215
Office furniture and equipment	72,494	60,370	34,668	29,749
	646,181	499,591	508,978	381,742

No depreciation was capitalised.

Depreciation expense is included in the line item ‘depreciation and amortisation expenses’ of the income statement.

17. Intangible assets

	Consolidated			
	Computer Software $	Leasehold makegood $	Management rights $	Total $
Gross carrying amount				
Balance at 1 July 2007	2,435,926	409,738	19,054,358	21,900,022
Additions	1,087,730	17,573	743,078	1,848,381
Disposals	(333,643)	-	-	(333,643)
Balance at 1 July 2008	3,190,013	427,311	19,797,436	23,414,760
Additions	1,365,971	-	-	1,365,971
Disposals	(199,081)	-	-	(199,081)
Adjustment – (Note 36)	-	-	(107,828)	(107,828)
Balance at 30 June 2009	4,356,903	427,311	19,689,608	24,473,822
Accumulated amortisation and impairment				
Balance at 1 July 2007	1,154,107	329,738	-	1,483,845
Amortisation expense	461,509	25,858	145,552	632,919
Disposals	(322,505)	-	-	(322,505)
Balance at 1 July 2008	1,293,111	355,596	145,552	1,794,259
Amortisation expense	1,022,474	25,857	197,271	1,245,602
Disposals	(175,230)	-	-	(175,230)
Balance at 30 June 2009	2,140,355	381,453	342,823	2,864,631
Net book value				
As at 30 June 2008	1,896,902	71,715	19,651,884	21,620,501
As at 30 June 2009	2,216,548	45,858	19,346,785	21,609,191

Amortisation expense is included in the line item ‘depreciation and amortisation expenses’ of the income statement.

17. Intangible assets (cont.)

	Company			
	Computer Software $	Leasehold makegood $	Management rights $	Total $
Gross carrying amount				
Balance at 1 July 2007	2,411,233	309,738	-	2,720,971
Additions	937,102	17,573	-	954,675
Disposals	(334,119)	-	-	(334,119)
Balance at 1 July 2008	3,014,216	327,311	-	3,341,527
Additions	1,365,971	-	-	1,365,971
Disposals	(199,081)	-	-	(199,081)
Balance at 30 June 2009	4,181,106	327,311	-	4,508,417
Accumulated amortisation and impairment				
Balance at 1 July 2007	1,137,394	309,738	-	1,447,132
Amortisation expense	447,482	5,858	-	453,340
Disposals	(322,981)	-	-	(322,981)
Balance at 1 July 2008	1,261,895	315,596	-	1,577,491
Amortisation expense	990,526	5,857	-	996,383
Disposals	(175,230)	-	-	(175,230)
Balance at 30 June 2009	2,077,191	321,453	-	2,398,644
Net book value				
As at 30 June 2008	1,752,321	11,715	-	1,764,036
As at 30 June 2009	2,103,915	5,858	-	2,109,773

Amortisation expense is included in the line item ‘depreciation and amortisation expenses’ of the income statement.

Significant intangible assets

The Group holds the following management rights. The Wealthpac Master Trust management rights have an indefinite life and the other management rights have finite lives.

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Wealthpac Master Trust	17,937,616	17,937,616	-	-
Freedom of Choice	845,419	1,038,688	-	-
Equity Superannuation Management Pty Ltd	244,915	284,631	-	-
Holdfast Fund Services Pty Limited	318,835	390,949	-	-
	19,346,785	19,651,884	-	-

The indefinite life management rights have been allocated for impairment testing purposes to the Equity Trustees Superannuation Limited Group (‘ETSL Group’) cash-generating unit. The carrying amount of the indefinite life management rights allocated to the ETSL Group cash-generating unit is $17,937,616.

Details of the Equity Trustees Superannuation Limited Group cash generating unit, the value-in-use calculation of the recoverable amount and key assumptions are contained in Note 20.

Management has reviewed the useful life of the indefinite life management rights and has determined that these management rights continue to have an indefinite life. In undertaking this review management has considered the economic, competitor and political environment in relation to the superannuation industry, the contractual rights and contractual relationships in relation to these management rights, and ability of the management rights to continue to have value into the foreseeable future.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

18. 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 per centum 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 per centum 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
e. Fifthly, for the payment of debts of the trustee company.

19. Reserve fund investments

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Australian equities, hybrid shares and managed investment schemes	4,800,000	5,700,000	4,800,000	5,700,000

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 2009 is $4,780,747 (2008: $5,666,250).

20. Goodwill

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Balance at beginning of the financial year	8,620,303	4,105,658	-	-
Amounts recognised from business combinations occurring during the year	-	4,522,304	-	-
Adjustment on finalisation of acquisition accounting – (Note 36)	(389,972)	(7,659)	-	-
Balance at end of the financial year	8,230,331	8,620,303	-	-

During the financial year the Group assessed the recoverable amount of goodwill and determined that no impairment had occurred (2008: nil).

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Equity Trustees Superannuation Limited Group (ETSL Group)
- Equity Trustees Limited – Funds Management Segment (FM Segment)

The carrying amounts of goodwill allocated to the ETSL Group and FM Segment are significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill was allocated to the following cash-generating units.

	Consolidated	
	2009 $	2008 $
Equity Trustees Superannuation Limited Group (ETSL Group)	4,550,588	4,940,560
Equity Trustees Limited – Funds Management Segment (FM Segment)	3,679,743	3,679,743
	8,230,331	8,620,303

Groups of cash-generating units

Equity Trustees Superannuation Limited Group (ETSL Group)

ETSL Group comprises of Equity Trustees Superannuation Limited ('ETSL'), Equity Superannuation Management Pty Limited ('ESM'), Equity Investment Management Limited ('EIML') and two non-trading subsidiaries. These companies effectively operate as a single business to provide superannuation services.

The recoverable amount of the ETSL Group is determined based on a value-in-use calculation which uses cash flow projections based on management's forecast covering a five year period, together with a further 25 year period based on a conservative rate of growth. These cashflows are discounted at an appropriate risk adjusted rate. Management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the ETSL Group.

The key assumptions used in the value-in-use calculations are the growth rate of funds under management, basis point fee levels, and expense growth rate.

Equity Trustees Limited – Funds Management Segment (FM segment)

The goodwill relating to the Holdfast Fund Services business has been allocated to the FM segment due to synergistic benefits provided by the FM segment to the Holdfast Fund Services business. The recoverable amount of the FM segment is determined based on a value-in-use calculation which uses cash flow projections based on management's forecast covering a five year period, together with a further 25 year period based on a conservative rate of growth. These cashflows are discounted at an appropriate risk adjusted rate. Management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the FM segment.

The key assumptions used in the value-in-use calculations are the growth rate of funds under management, basis point fee levels, and expense growth rate.

21. Current trade and other payables

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Trade payables [i]	243,298	838,060	89,727	520,256
Goods and services tax payable	176,549	330,194	105,442	139,060
	419,847	1,168,254	195,169	659,316

i. The Group's policy is to pay all invoices within 30 days of receipt. No interest charges have been incurred on trade payables.

22. Current provisions

	Consolidated				
	Claims [i] $	Equity Trustees Foundation Donation [ii] $	Employee Benefits (Note 26) $	Other [iii] $	Total $
Balance at 1 July 2008	250,000	145,000	1,846,595	346,601	2,588,196
Additional provisions recognised	-	106,000	-	319,705	425,705
Decrease arising from payments	-	(145,000)	-	(360,956)	(505,956)
Decrease arising from re-measurement or settlement without cost	(250,000)	-	-	(90,813)	(340,813)
Other movements	-	-	(1,191,286)	-	(1,191,286)
Balance at 30 June 2009	-	106,000	655,309	214,537	975,846

	Company				
	Claims [i] $	Equity Trustees Foundation Donation [ii] $	Employee Benefits (Note 26) $	Other [iii] $	Total $
Balance at 1 July 2008	250,000	145,000	1,731,986	345,700	2,472,686
Additional provision recognised	-	106,000	-	315,705	421,705
Decrease arising from payments	-	(145,000)	-	(360,054)	(505,054)
Decrease arising from re-measurement or settlement without cost	(250,000)	-	-	(90,813)	(340,813)
Other movements	-	-	(1,198,074)	-	(1,198,074)
Balance at 30 June 2009	-	106,000	533,912	210,538	850,450

i. The claim provision was released in 2009 as the directors believe there will be no future outflow of economic benefits required to settle the issue that was previously provided for.

ii. The Equity Trustees Foundation donation provision is the directors' best estimate of the amount that will be donated to the Equity Trustees Foundation in accordance with the Group's policy of donating one percent of before tax operating profit (excluding profit on sale of investments and investment write-downs).

iii. Other provision includes the directors' best estimate of amounts required to meet fringe benefit tax and other trade payment obligations that are owing.

23. Other current liabilities

	Consolidated		Company	
At amortised cost	2009 $	2008 $	2009 $	2008 $
Corpus commission collected but not earned	71,812	306,813	71,812	306,813
Owing to vendor for purchase of business	-	1,479,411	-	-
Other	84,822	3,911	32,923	3,911
	156,634	1,790,135	104,735	310,724

24. Non-current provisions

	Consolidated		
	Makegood [i] $	Employee Benefits (Note 26) $	Total $
Balance at 1 July 2008	524,523	815,888	1,340,411
Decrease arising from re-measurement or settlement without cost	(406,950)	-	(406,950)
Other movements	-	221,226	221,226
Balance at 30 June 2009	117,573	1,037,114	1,154,687

	Company		
	Makegood [i] $	Employee Benefits (Note 26) $	Total $
Balance at 1 July 2008	424,523	646,048	1,070,571
Decrease arising from re-measurement or settlement without cost	(406,950)	-	(406,950)
Other movements	-	199,546	199,546
Balance at 30 June 2009	17,573	845,594	863,167

i. The makegood provision represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required to settle the Group's obligations to makegood its leased premises at the end of the leases.

25. Other non-current liabilities

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Amounts owing to controlled entity	-	-	156,343	184,926
Lease related liabilities	49,424	247,852	-	99,580
Corpus commission collected but not earned	34,995	34,995	34,995	34,995
	84,419	282,847	191,338	319,501

26. Employee benefits

	Consolidated		Company	
The aggregate employee benefits liability recognised and included in the financial statements is as follows:	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Provision for employee benefits:				
Current (Note 22)				
- Annual leave	402,237	447,537	284,447	334,389
- Long service leave	25,382	18,088	21,775	16,627
- Bonus	227,690	1,296,504	227,690	1,296,504
- Directors' retiring allowance	-	84,466	-	84,466
	655,309	1,846,595	533,912	1,731,986
Non-current (Note 24)				
- Annual leave	176,835	263,831	103,691	172,312
- Long service leave	590,416	374,315	472,040	295,994
- Directors' retiring allowance	269,863	177,742	269,863	177,742
	1,037,114	815,888	845,594	646,048
	1,692,423	2,662,483	1,379,506	2,378,034

The above employee benefit provisions are the directors' best estimate of the future outflow of economic benefits that will be required to settle these future payment obligations.

27. Issued capital

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
8,235,771 fully paid ordinary shares (2008: 7,998,511)	38,198,748	34,492,421	38,198,748	34,492,421

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2009		2008	
Fully paid ordinary shares	**No.**	**$**	**No.**	**$**
Balance at beginning of financial year	7,998,511	34,492,421	7,827,563	29,469,242
Shares issued under share placement	-	-	81,455	2,606,560
Shares issued under employee share scheme	5,838	137,368	3,828	113,883
Shares issued – executive share entitlement	48,998	505,169	-	-
Shares issued under dividend reinvestment plan ('DRP')	182,424	3,074,888	85,665	2,290,173
Share issue costs net of tax	-	(11,098)	-	12,563
Balance at end of financial year	8,235,771	38,198,748	7,998,511	34,492,421

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

Share Awards

In accordance with the provisions of the Equity Trustees Limited Executive Performance Share Plan 1999 ('the Plan'), as at 30 June 2009, the Managing Director and eligible executives have share entitlements over 191,603 ordinary shares (2008:116,250), in aggregate. Further details of the Plan are contained in the remuneration report within the Directors' Report.

28. Other reserves

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
General [i]	1,500,000	1,500,000	1,500,000	1,500,000
Employee equity-settled benefits [ii]	927,538	1,275,927	927,538	1,275,927
Capital profits [iii]	254,201	254,201	254,201	254,201
	2,681,739	3,030,128	2,681,739	3,030,128

The movement in the above reserve accounts is shown in the statement of changes in equity.

i. General reserve
The general reserve was established in the 1980s. There is no policy regarding periodic transfers to or from this reserve to retained earnings.

ii. Employee equity-settled benefits reserve
The employee equity-settled benefits reserve arises on the granting of share entitlements to eligible employees under the Equity Trustees Limited Executive Performance Share Plan 1999 ('the Plan') (refer Directors' Report) and on the provision for shares to be issued to staff under the Employee Share Acquisition Plan ('ESAP'). The ESAP is in place to allow eligible employees to participate in share allotments as approved by the Board on an ongoing basis as deemed appropriate. The Board has approved the issue of shares under the ESAP in relation to the financial year ended 30 June 2009 but as at that date these shares had not been issued. Amounts are transferred out of this reserve and into issued capital when shares are issued under the Plan or when shares are granted under the ESAP.

iii. Capital profits reserve
The capital profits reserve was established on the transfer of profits arising from capital transactions. There is no policy regarding periodic transfers to or from this reserve to retained earnings.

29. Investment revaluation reserve

The movement in the investment revaluation reserve account is shown in the statement of changes in equity.

The investment revaluation reserve arises on the revaluation of investment financial assets that are accounted for as available-for-sale (refer Note 2(f)). Where a revalued asset is sold, that part of the revaluation reserve that relates to the sold asset is transferred to the income statement and where a revalued asset is impaired, the portion of the reserve which exceeds the fair value of the impaired asset is transferred to the income statement.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

30. Earnings per share

	Consolidated	
	2009 cents per share	2008 cents per share
Basic earnings per share	98.45	133.35
Diluted earnings per share	97.93	131.79

	Consolidated	
Basic earnings per share	2009 $	2008 $
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings	8,011,871	10,565,351
	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,138,288	7,923,168

	Consolidated	
Diluted earnings per share	2009 $	2008 $
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings	8,011,871	10,565,351
	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,180,923	8,016,517

There were no discontinued operations (2008: nil).

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2009 No.	2008 No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	8,138,288	7,923,168
Shares deemed to be issued for no consideration in respect of employee share entitlements	42,635	93,349
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	8,180,923	8,016,517

31. Dividends

	2009		2008	
	Cents per share	$	Cents per share	$
Recognised amounts				
Fully paid ordinary shares				
Interim dividend: Fully franked (Prior year: Fully franked)	50	4,080,424	50	3,970,742
Final dividend: Fully franked (Prior year: Fully franked)	60	4,832,008	45	3,524,126
		8,912,432		7,494,868
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend: Fully franked (Prior year: Fully franked)	60	4,941,463	60	4,832,008

	Company	
	2009 $	2008 $
Franking account balance at 1 July	7,431,306	5,826,866
Tax paid	4,086,477	4,648,458
Franking credits received	140,435	168,068
Franking credits attached to interim and final dividends	(3,819,614)	(3,212,086)
Franking account balance at 30 June	7,838,604	7,431,306
Franking credits that will arise from income tax payable at reporting date	519,131	1,921,738
Franking credits that will arise from receipt of dividends recognised as receivables at reporting date	6,879	28,893
Franking credits to be attached to dividends declared but not recognised	(2,117,770)	(2,070,861)
Net franking credits available	6,246,844	7,311,076

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

32. Commitments for expenditure

	Consolidated		Company	
a. Capital expenditure commitments	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Intangible assets				
Not longer than 1 year	250,000	963,300	250,000	963,300
1 to 5 years	-	100,000	-	100,000
	250,000	1,063,300	250,000	1,063,300
Plant and equipment				
Not longer than 1 year	27,365	-	-	-

b. Operating lease commitments

i. There are three 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. Subsequent to year end, a new lease for a period of six years was signed for this property.
- Expiring 30 June 2010, with lease payment increases of 5.75% p.a.
- Expiring 30 June 2011, in relation to a controlled entity.

ii. There is a printer lease with an expiry date of June 2012 which covers a number of printers. These leases have minimum monthly lease payments and additional charges if usage exceeds a set number of monthly prints.

	Consolidated		Company	
Non-cancellable operating lease payments	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Not longer than 1 year	1,211,740	1,150,713	819,857	784,711
Longer than 1 year and not longer than 5 years	647,030	1,426,815	239,472	650,306
	1,858,770	2,577,528	1,059,329	1,435,017

In respect of non-cancellable operating leases the following liabilities have been recognised:

	Consolidated		Company	
Lease incentives	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Current	49,424	49,424	-	-
Non-current	49,424	98,848	-	-
	98,848	148,272	-	-

The Group has no onerous lease contracts.

iii. There are no non-cancellable operating sub-leases (2008: no non-cancellable operating sublease).

33. Contingent liabilities and assets

Contingent liabilities exist in respect of certain trust and estate accounts that are overdrawn, however, these contingent liabilities are mitigated by the assets held by these trust and estate accounts which are considered ample to cover any contingent liability. These contingent liabilities are unchanged from 30 June 2008.

There are no contingent assets (2008: nil).

34. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2009	Ownership interest 2008
Parent entity			
Equity Trustees Limited	Australia		
Subsidiaries			
Equity Nominees Limited	Australia	100%	100%
Equity Investment Management Limited	Australia	100%	100%
Equity Trustees Superannuation Limited	Australia	100%	100%
Equity Superannuation Management Pty Limited	Australia	100%	100%
Super.com. Pty Limited	Australia	100%	100%
Super.com.au Pty Limited	Australia	100%	100%
Holdfast Fund Services Pty Limited	Australia	100%	100%

Equity Trustees Limited is the head entity within the tax consolidated group.

All the above subsidiaries are members of the tax consolidated group.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

35. Segment information

	2009 $	2008 $
Segment revenues		
Funds Management	16,896,516	17,963,778
Trustee Services and Responsible Entity	15,684,748	19,913,541
Total all segments	32,581,264	37,877,319
Unallocated [i]	1,919,903	1,754,139
Consolidated	34,501,167	39,631,458
[i] Unallocated includes the following:		
Gain on sale of investments	669,947	439,639
Other investment income	1,249,956	1,314,500
Total unallocated	1,919,903	1,754,139
All segment revenues are from external sales.		
Segment result		
Funds Management	8,375,194	9,419,503
Trustee Services and Responsible Entity	10,285,974	14,273,962
Total all segments	18,661,168	23,693,465
Unallocated [ii]	(7,411,588)	(8,938,704)
Profit before income tax expense	11,249,580	14,754,761
Income tax expense	(3,237,709)	(4,189,410)
Profit after income tax expense	8,011,871	10,565,351
[ii] Unallocated includes the following:		
Gains/(loss) on sale of investments	669,947	439,639
Other investment income	1,249,956	1,314,500
Business support services	(9,331,491)	(10,692,843)
Total unallocated	(7,411,588)	(8,938,704)

	Assets		Liabilities	
	2009 $	2008 $	2009 $	2008 $
Segment assets and liabilities				
Funds Management	30,326,312	31,673,437	742,917	2,521,971
Trustee Services and Responsible Entity	3,168,529	4,356,131	151,807	591,807
Total of all segments	33,494,841	36,029,568	894,724	3,113,778
Unallocated	23,379,699	26,371,727	3,070,446	7,282,939
Consolidated	56,874,540	62,401,295	3,965,170	10,396,717

Unallocated assets include current and non-current assets that support all the business segments. Unallocated liabilities include current and non-current liabilities that pertain to all segments. Most assets and liabilities support all the business segments and therefore cannot be allocated.

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

Geographical Segments

The Group operates solely in Australia. The Australian market is not divided into further geographic segments as the Group's financial services products are available throughout Australia and the geographic location of the Group's business does not have a significant impact on risk.

36. Acquisition of business

Name of business acquired	Principal activity	Date of acquisition	Proportion acquired	Cost of acquisition $
2009				
Nil				
2008				
Mutual Benefit Consulting Business	Superannuation admin	31 Dec 2007	100%	667,449
Equity Superannuation Management Pty Limited (formerly Templetons Superannuation Management Pty Ltd)	Superannuation admin	9 Nov 2007	100%	495,441
Super.com.au Pty Limited	Name protection	30 Apr 2008	100%	4
Holdfast Fund Services Pty Limited	Fund promoter	31 Mar 2008	100%	4,188,721

Freedom of Choice business

On 29 June 2007, the Group acquired the Freedom of Choice business which comprised of the right to manage the Freedom of Choice Superannuation Master Fund and an investor directed portfolio service. The fair value valuation of the Freedom of Choice business was finalised during the year ended 30 June 2008. However, the finalisation was based on an estimate of the final instalment of the purchase payment which was due for payment in November 2008.

The final instalment of the purchase price was paid on 30 June 2009. The impact of the revision of the final purchase price instalment is set out below.

Freedom of Choice business	Fair value at 30 Jun 08 $	Adjustments $	Fair value at 30 Jun 09 $
The net assets acquired were:			
Employee leave entitlement provision	(89,154)	-	(89,154)
Deferred tax asset	26,746	-	26,746
Management rights	1,133,114	(107,828)	1,025,286
Goodwill	4,097,999	(384,696)	3,713,303
Total consideration satisfied by cash including capitalised expenses	5,168,705	(492,524)	4,676,181

The amendment to the fair values at 30 June 2008 arose due to the final purchase price payment being less than the estimated final purchase price payment used to determine the fair values at 30 June 2008. This has resulted in an adjustment to goodwill and to the management rights.

Equity Superannuation Management Pty Limited

On 9 November 2007, the Group acquired 100% of the issued capital of Equity Superannuation Management Pty Limited (formerly Templetons Superannuation Management Pty Ltd) ('ESM'). As at the date of finalisation of the financial report for the year ended 30 June 2008, the fair value valuation of ESM had not been finalised as the amount of the final instalment of the purchase price was only an estimate and therefore the 30 June 2008 financial report included the initial accounting for this acquisition. The accounting for this acquisition has now been finalised and the adjustments to the provisional amounts are outlined below:

Equity Superannuation Management Pty Limited	Fair value at 30 Jun 08 $	Adjustments $	Fair value at 30 Jun 09 $
The net assets acquired were:			
Cash	10,717	-	10,717
Accounts payable and other current liabilities	(10,597)	-	(10,597)
Management rights	317,728	-	317,728
Goodwill	182,869	(5,276)	177,593
Total consideration satisfied by cash including capitalised expenses	500,717	(5,276)	495,441

The amendment to the initial accounting values arose due to the final purchase price payment being less than the estimated final purchase price payment used to determine the initial accounting values. This has resulted in an adjustment to goodwill.

Apart from the above, there have been no changes in the composition of the consolidated entity.

37. Related party disclosures

Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 34 to the financial statements.

The Company does not hold any interests in associates, joint ventures or other related parties.

Transactions with key management personnel

a. Key management personnel remuneration

Details of key management personnel remuneration are disclosed in Note 9 to the financial statements and in the Directors' Report.

b. Loans to key management personnel

The Group had nil key management personnel loans as at 30 June 2009 (2008: $nil).

c. Director and key management personnel equity holdings

Director and key management personnel relevant interests in fully paid ordinary shares of Equity Trustees Limited are as follows:

Consolidated	Balance at 1 Jul 08 No.	Net change No.	Balance at 30 Jun 09 No.	Balance held nominally No.
2009				
Directors				
DF Groves	558,456	21,402	579,858	-
PJ Williams	5,414	15,583	20,997	-
JR McConnell	19,426	682	20,108	-
JG Kennett	-	13,970	13,970	-
BJ Jackson	10,500	-	10,500	-
JA Killen	6,000	356	6,356	-
AJM Williams	310	23	333	-
Key management personnel				
HH Kalman	9,012	7,388	16,400	-
T Ryan	1,091	7,687	8,778	-
PB Maddox	1,089	6,902	7,991	-
SR Manuell	1,089	6,876	7,965	-
MSF Godfrey	346	1,835	2,181	-
AD Young	1,003	42	1,045	-

37. Related party disclosures (cont.)

c. Director and key management personnel equity holdings (cont.)

Consolidated	Balance at 1 Jul 07 No.	Net change No.	Balance at 30 Jun 08 No.	Balance held nominally No.
2008				
Directors				
DF Groves	500,255	58,201	558,456	-
PJ Williams	5,230	184	5,414	-
JR McConnell	18,768	658	19,426	-
BJ Jackson	10,500	-	10,500	-
JA Killen	3,757	2,243	6,000	-
AJM Williams	-	310	310	-
Key management personnel				
HH Kalman	8,596	416	9,012	-
T Ryan	1,021	70	1,091	-
PB Maddox	1,019	70	1,089	-
SR Manuell	1,019	70	1,089	-
AD Young	970	33	1,003	-
MSF Godfrey	301	45	346	-

In accordance with the 2005/06 Series of the Executive Performance Share Plan 1999, 28,818 ordinary shares were issued to key management personnel during the year ended 30 June 2009 (2008: nil).

d. Entitlements to shares of Equity Trustees Limited issued under the Executive Performance Share Plan 1999

Details of entitlements to Equity Trustees Limited shares issued under the Executive Performance Share Plan 1999, are disclosed in the Directors' Report.

e. Vested share awards

Details of vested share awards are disclosed in the Directors' Report.

f. Other transactions with key management personnel

Some directors, key management personnel and their associates have investments in managed investment schemes for which the Company acts as responsible entity. These investments are made at arms length and in the ordinary course of business. Some directors, key management personnel and their associates receive wealth management, superannuation and other financial services from the Group. These services are provided at arms length and in the ordinary course of business except the directors, key management personnel and their associates are entitled to receive the normal available staff discount or other customary discount available in relation to size of business.

There were no other related party transactions between the Group or the parent entity and key management personnel or their related entities apart from the above (2008: nil).

37. Related party disclosures (cont.)

Transactions with other related parties

The Company had an interest free intercompany account with each of its controlled entities. The amounts owed to the Company by its controlled entities are disclosed in Note 15.

The Company and its controlled entities have entered into a tax sharing arrangement, as disclosed in Note 8.

A controlled entity acts as trustee for the Wealthpac Master Trust, Public Eligible Rollover Fund, Valvoline (Australia) Superannuation Fund, and the Freedom of Choice Superannuation Masterfund from which it receives administration fees. These fees are contractually agreed with members.

A controlled entity receives fees from the Wealthpac Master Trust and the Freedom of Choice Masterfund for work undertaken on behalf of the Wealthpac Master Trust. Another controlled entity is the Trustee of these Trusts.

A controlled entity receives commissions from the Wealthpac Master Trust and the Freedom of Choice Masterfund. Another controlled entity is the Trustee of these Trusts.

A controlled entity acts as trustee for the Access Insurance Trust which facilitates the collection and reimbursement of group life administration fees from the Wealthpac Master Trust to the controlled entity. The Access Insurance Trust was wound up during the year.

A controlled entity, Equity Investment Management Limited, receives administration and service charges from its subsidiary company, Equity Trustees Superannuation Limited.

All other transactions took place on normal commercial terms and conditions.

Parent entity

The parent entity of the Group is Equity Trustees Limited.

The ultimate Australian parent entity and ultimate parent entity is Equity Trustees Limited.

Investments in Managed Investment Schemes

Included in the investment portfolio of the Company are investments in managed investment schemes where the Company acts as responsible entity. These investments are made on normal commercial terms and conditions.

38. Notes to the cash flow statement

a. Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, 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 cash flow statement is reconciled to the related items in the Balance Sheet as follows:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents	3,180,486	1,473,219	2,589,088	771,688
Other current financial assets – short-term deposits	10,097,741	10,638,825	9,919,952	10,638,825
	13,278,227	12,112,044	12,509,040	11,410,513

38. Notes to the cash flow statement (cont.)

b. Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Profit for the period	8,011,871	10,565,351	6,102,761	8,684,663
(Profit)/loss on sale of investments	(669,947)	(439,639)	(669,947)	(439,639)
Depreciation and amortisation of non-current assets	1,694,512	986,958	1,505,361	835,082
Provision for make good written back	(406,950)	-	(406,950)	-
Impairment of financial instruments	373,000	224,899	373,000	224,899
Amortisation of management rights	197,271	145,552	-	-
(Profit)/loss on sale of plant and equipment	25,402	60,903	25,402	46,340
Equity-settled share-based payments	294,149	721,481	294,149	721,481
Interest income received and receivable	(858,626)	(899,938)	(820,802)	(849,675)
Dividends received and receivable	(316,270)	(362,872)	(316,270)	(362,872)
Increase/(decrease) in current tax liability	(1,402,608)	15,817	(1,402,608)	15,817
Increase/(decrease) in deferred tax liability	(650,530)	(485,035)	(650,530)	(485,035)
(Increase)/decrease in deferred tax asset	548,900	(600,795)	484,139	(512,836)
(Increase)/decrease in assets:				
Current receivables	(66,727)	(1,537,516)	(380,259)	(1,534,996)
Other current assets	2,739,744	(821,240)	2,269,620	571,686
Non-current receivables	182,586	(375,604)	(845,349)	(935,235)
Other non-current assets	2,191,883	197	2,145,923	-
Increase/(decrease) in liabilities:				
Current payables	(2,602,792)	(1,884,248)	(706,088)	(904,850)
Current provisions	(1,256,206)	33,753	(1,287,771)	(121,449)
Other current liabilities	(1,858,093)	(108,246)	(1,858,094)	(108,246)
Non-current payables	-	-	-	-
Non-current provisions	(455,375)	216,047	(455,375)	216,047
Other non-current liabilities	879,962	2,854,763	(28,583)	498,879
Net cash flows from operating activities	6,595,156	8,310,588	3,371,729	5,560,061

c. Non-cash financing activities

There have been nil non-cash financing activities (2008: nil).

d. Business acquired

2009

There were no new businesses acquired during the year. The amount paid during the year ended 30 June 2009 for businesses acquired in 2008 was $974,902.

2008

During the previous financial year, the Group acquired Equity Superannuation Management Pty Limited (formerly Templetons Superannuation Management Pty Ltd), Mutual Benefit Consulting business, Super.com.au Pty Limited and Holdfast Fund Services Pty Limited. The amount paid during the 2008 financial year for new business acquisitions was $8,906,488.

39. Financial instruments

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while balancing achieving shareholder returns with prudential management of resources, achieving its long-term strategy and meeting the reserve fund and net tangible asset ('NTA') requirements imposed by regulatory authorities.

The Group's overall strategy remains unchanged from 2008. The Group has met its reserve fund and NTA requirements throughout the 2009 year as well as throughout the 2008 year.

The capital structure consist only of equity (refer Note 27 for details regarding equity instruments issued). The Group operates only in Australia and is subject to the requirement to maintain a reserve fund (refer to Note 18 for further details) and a requirement under its RSE licence to maintain NTA of $5m. There are no other externally imposed capital requirements.

Operating cashflows are used to maintain and expand the Group's financial services activities including providing funds for acquiring suitable businesses that fit with the existing financial services activities of the Group. Operating cashflows are also used to fund routine payments of tax and dividends.

The Group's current policy is to fund its activities, including business acquisitions by using accumulated surplus operating cashflow and raising funds through the issue of ordinary shares in the head company, Equity Trustees Limited. This policy is periodically reviewed in light of the Group's long term strategy, prudential management of resources, dividend policy, market conditions, reserve fund and NTA requirements and achieving shareholder returns.

b. Categories of financial instruments

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Financial assets				
Cash and cash equivalents	3,180,486	1,473,219	2,589,088	771,688
Cash and cash equivalents – short-term deposits	10,097,741	10,638,825	9,919,952	10,638,825
Loans and receivables – trade debtors and other receivables	2,228,592	2,405,577	2,186,568	2,314,014
Available-for-sale financial assets	6,051,893	9,932,442	6,051,893	9,932,442
	21,558,712	24,450,063	20,747,501	23,656,969
Financial liabilities				
Amortised at cost	105,168	1,802,165	28,597	344,624

During the 2009 financial year there were no financial assets or liabilities designated as at fair value through profit or loss for either the Group or the Company (2008: nil). No financial assets have been pledged as collateral for either liabilities or contingent liabilities (2008: nil). No assets are held as collateral (2008: nil).

39. Financial instruments (cont.)

c. Financial risk management objectives

The Group's and the Company's main financial instrument risk exposures relate to market risk (including price and interest rate risk), credit risk, and liquidity risk. Neither the Group nor the Company has any borrowings. The Group and the Company manage financial instrument risk through a combination of executive management monitoring key financial risks and the use of committees that manage and monitor particular activities and their related financial risks.

Both the executive management and committees report to the Board on a monthly basis regarding their activities and the related financial risks. The committees include a due diligence committee ('DDC'), a registrable superannuation entity committee ('SCC') and an investment management committee ('IMC'). The DDC and SCC review new business proposals including the credit risk associated with the counter parties. The IMC responsibilities include reviewing and managing the Group's investment portfolio and its associated financial risks.

The liquidity position of the Group and Company are continuously monitored by executive management and the impact on liquidity of any significant transaction, such as payment of a dividend, acquisition of a new business, and purchase of capital assets is considered prior to the transaction being approved.

The Group does not enter into or trade financial instruments for speculative purposes, and the Group does not have any derivative instruments. The Group's investment policy is to hold financial instruments for the long-term to support capital, NTA and reserve fund requirements. The asset allocation of the portfolio is conservative and any changes to investments are approved by the Board. The Group does not use hedging to manage its financial risks.

d. Market risk

The Group's and the Company's primary exposure in relation to financial instruments is to interest rate risk and price risk. These exposures primarily arise in relation to the Group's and Company's investment portfolio. Neither the Group nor the Company has any borrowings nor do they have any exposure to foreign currency risk in relation to their financial instruments. Neither the Group nor the Company uses derivatives to manage market risks as executive management do not believe these risks warrant the use of derivatives due to their nature and relative low level of risk.

At both the Group and Company level, market risks in relation to financial instruments are managed by executive management and IMC monitoring and review which includes sensitivity analysis. There has been no change from the previous period to the Group's or the Company's exposure to market risk or the manner in which these risks are managed and measured.

e. Interest rate risk management

The Group and the Company are exposed to interest rate risk in relation to their financial instruments as they have funds invested in variable interest rate investments. Neither the Group nor the Company has any borrowings. The risk is primarily managed by maintaining prudent asset allocations within the investment portfolio, to minimise the impact of movements in interest rates on the overall portfolio whilst maintain acceptable levels of returns, and by continuously monitoring the quality and performance of the investments. These investment processes and reviews are managed by the IMC.

Interest rate sensitivity analysis

A sensitivity analysis in relation to the Group's and Company's exposure to interest rate movements is set out below. Management has assessed the reasonably possible change in interest rates to be plus/minus 100 basis points for 2009 (2008: plus/minus 100 basis points) based on a review of market conditions. This assumes both long and short-term interest rates will have the same basis point movement.

The sensitivity analysis is calculated using the end of year balance of the financial instrument where this balance is representative of the balance throughout the year. If the end of year balance is not representative of the balance throughout the year, then the sensitivity analysis is calculated using the average balance (calculated on a quarterly basis) held throughout the year.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

39. Financial instruments (cont.)

e. Interest rate risk management (cont.)

Consolidated		Interest rate risk			
		-1%		+1%	
2009	Carrying amount at 30 Jun 09 $	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	3,180,486	(25,743)	n/a	25,743	n/a
Cash and cash equivalents – short-term deposits	10,097,741	(106,723)	n/a	106,723	n/a
	13,278,227	(132,466)		132,466	

Consolidated		Interest rate risk			
		-1%		+1%	
2008	Carrying amount at 30 Jun 08 $	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	1,473,219	(16,493)	n/a	16,493	n/a
Cash and cash equivalents – short-term deposits	10,638,825	(94,189)	n/a	94,189	n/a
	12,112,044	(110,682)		110,682	

Company		Interest rate risk			
		-1%		+1%	
2009	Carrying amount at 30 Jun 09 $	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	2,589,088	(17,672)	n/a	17,672	n/a
Cash and cash equivalents – short-term deposits	9,919,952	(104,982)	n/a	104,982	n/a
	12,509,040	(122,654)		122,654	

Company		Interest rate risk			
		-1%		+1%	
2008	Carrying amount at 30 Jun 08 $	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	771,688	(6,251)	n/a	6,251	n/a
Cash and cash equivalents – short-term deposits	10,638,825	(94,189)	n/a	94,189	n/a
	11,410,513	(100,440)		100,440	

f. Other price risk

The Group and the Company are exposed to other price risk from their investment in Australian equities, Australian managed investment schemes and Australian hybrid share instruments. These investments are held for long-term investment purposes and support the reserve fund requirement. These investments are not held for trading purposes and they are not actively traded.

The risk is primarily managed by maintaining prudent asset allocations within the investment portfolio, to minimise the impact of movements in equity prices on the overall portfolio whilst maintaining acceptable levels of returns, and by continuously monitoring the quality and performance of the investments. These investment processes and reviews are managed by the IMC.

39. Financial instruments (cont.)

f. Other price risk (cont.)

Price sensitivity analysis

A sensitivity analysis in relation to the Group's and Company's exposure to other price movements is set out below. This sensitivity analysis has been determined based on the exposure to Australian equities, Australian managed investment schemes and Australian hybrid share instruments. Management has assessed the reasonably possible change in Australian equities to be 10%, managed investment scheme plus 5% minus 20% and Australian hybrid share instruments to be plus/minus 5% (2008: Australian equities plus/minus 10%, managed investment scheme plus/minus 20% and Australian hybrid share instruments to be plus/minus 5%) based on a review of market conditions.

The sensitivity analysis is calculated using the end of year balance of the financial instrument where this balance is representative of the balance throughout the year. If the end of year balance is not representative of the balance throughout the year, then the sensitivity analysis is calculated using the average balance (calculated on a quarterly basis) held throughout the year.

Consolidated			Other price risk			
			Minus impact		Plus impact	
2009	Carrying amount at 30 Jun 09 $	Plus/minus impact %	Profit $	Equity $	Profit $	Equity $
Available for sale investments:						
Australian equities	4,076,151	10%	n/a	(544,830)	n/a	544,830
Australian hybrid shares	295,756	5%	n/a	(36,694)	n/a	36,694
Managed investment schemes	1,679,986	+5%/ -20%	n/a	(328,770)	n/a	118,679
	6,051,893			(910,294)		700,203

Consolidated			Other price risk			
			Minus impact		Plus impact	
2008	Carrying amount at 30 Jun 08 $	Plus/minus impact %	Profit $	Equity $	Profit $	Equity $
Available for sale investments:						
Australian equities	7,422,007	10%	n/a	(879,660)	n/a	879,660
Australian hybrid shares	459,631	5%	n/a	(22,982)	n/a	22,982
Managed investment schemes	2,050,804	20%	n/a	(410,161)	n/a	410,161
	9,932,442			(1,312,803)		1,312,803

Company			Other price risk			
			Minus impact		Plus impact	
2009	Carrying amount at 30 Jun 09 $	Plus/minus impact %	Profit $	Equity $	Profit $	Equity $
Available for sale investments:						
Australian equities	4,076,151	10%	n/a	(544,830)	n/a	544,830
Australian hybrid shares	295,756	5%	n/a	(36,694)	n/a	36,694
Managed investment schemes	1,679,986	+5%/ -20%	n/a	(328,770)	n/a	118,679
	6,051,893			(910,294)		700,203

Company			Other price risk			
			Minus impact		Plus impact	
2008	Carrying amount at 30 Jun 08 $	Plus/minus impact %	Profit $	Equity $	Profit $	Equity $
Available for sale investments:						
Australian equities	7,422,007	10%	n/a	(879,660)	n/a	879,660
Australian hybrid shares	459,631	5%	n/a	(22,982)	n/a	22,982
Managed investment schemes	2,050,804	20%	n/a	(410,161)	n/a	410,161
	9,932,442			(1,312,803)		1,312,803

39. Financial instruments (cont.)

g. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The main source of credit risk in relation of financial instruments is from outstanding accounts receivables and investments with banks and managed investment schemes.

Executive management, and where applicable the DDC and SCC, review significant new clients before the take on of these clients is approved. The review process includes establishing the credit worthiness of the client. Other new clients are reviewed by business managers for credit worthiness as is appropriate to the size and nature of the client. The IMC reviews and monitors the investments with Banks and managed investment schemes including any credit risk issues.

Accounts receivable consists of a large number of customers. Ongoing evaluation is performed on the financial condition of outstanding accounts receivables by the applicable business managers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the Group holds its liquid funds with counterparties that are banks with high credit-ratings assigned by international credit-rating agencies and in managed investment schemes which have a low risk of default.

As outlined in Note 37, included in the investment portfolio of the Company and Group are 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 suitable controls including monitoring by the IMC of the quality and security of these investments.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's and Group's maximum exposure to credit risk without taking account of any collateral obtained.

h. Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (Financial assets valued using quoted prices include Australian equities and Australian hybrid shares. Managed investment schemes are valued using daily published unit prices);
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group's investment portfolio, classified as available-for-sale financial assets (refer Note 2 (f)) is measured at fair value. Fair value is determined with reference to quoted market prices including transaction costs.

i. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have put in place a suitable risk management framework to manage the Group's and Company's short, medium and long-term funding and liquidity management requirements.

The Group and Company manage liquidity risk by maintaining adequate reserves and banking facilities. The liquidity position of the Group and Company are continuously monitored by executive management and the impact on liquidity of any significant transaction, such as payment of a dividend, acquisition of a new business, and purchase of capital assets is considered prior to the transaction being approved.

Neither the Group nor the Company has any derivative financial instruments.

39. Financial instruments (cont.)

i. Liquidity risk management (cont.)

Liquidity and interest risk table

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company/Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 – 5 years $	5+ years $
2009						
Non-interest bearing – trade creditors	0%	105,168	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		105,168	-	-	-	-
2008						
Non-interest bearing – trade creditors	0%	322,754	51,236	1,428,175	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		322,754	51,236	1,428,175	-	-

Company

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 – 5 years $	5+ years $
2009						
Non-interest bearing – trade creditors	0%	28,597	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		28,597	-	-	-	-
2008						
Non-interest bearing – trade creditors	0%	344,624	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		344,624	-	-	-	-

At the year end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil (2008:nil).

Notes to the Financial Statements for the Financial Year Ended 30 June 2009 (cont.)

39. Financial instruments (cont.)

i. Liquidity risk management (cont.)

The following table details the Company's and the Group's expected maturity for its financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

Consolidated

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 – 5 years $	5+ years $
2009						
Cash and cash equivalents	4.07%	3,180,486	-	-	-	-
Trade and other receivables	n/a	2,228,592	-	-	-	-
Cash and cash equivalents – short-term deposits	5.88%	10,097,741	-	-	-	-
Australian equities and hybrid shares	n/a	4,371,907	-	-	-	-
Managed investment schemes	n/a	486,491	-	-	1,193,495	-
		20,365,217	-	-	1,193,495	-
2008						
Cash and cash equivalents	5.85%	1,473,219	-	-	-	-
Trade and other receivables	n/a	2,405,577	-	-	-	-
Cash and cash equivalents – short-term deposits	6.63%	10,638,825	-	-	-	-
Australian equities and hybrid shares	n/a	7,881,638	-	-	-	-
Managed investment schemes	n/a	-	-	-	2,050,804	-
		22,399,259	-	-	2,050,804	-

Company

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 – 5 years $	5+ years $
2009						
Cash and cash equivalents	4.20%	2,589,088	-	-	-	-
Trade and other receivables	n/a	2,186,568	-	-	-	-
Cash and cash equivalents – short-term deposits	5.89%	9,919,952	-	-	-	-
Australian equities and hybrid shares	n/a	4,371,907	-	-	-	-
Managed investment schemes	n/a	486,491	-	-	1,193,495	-
		19,554,006	-	-	1,193,495	-
2008						
Cash and cash equivalents	6.85%	771,688	-	-	-	-
Trade and other receivables	n/a	2,314,014	-	-	-	-
Cash and cash equivalents – short-term deposits	6.63%	10,638,825	-	-	-	-
Australian equities and hybrid shares	n/a	7,881,638	-	-	-	-
Managed investment schemes	n/a	-	-	-	2,050,804	-
		21,606,165	-	-	2,050,804	-

40. Subsequent events

There have been no material subsequent events (2008: nil).

Independent Auditor's Report to the Members of Equity Trustees Limited

Deloitte.

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Independent Auditor's Report to the Members of Equity Trustees Limited

Report on the Financial Report

We have audited the accompanying financial report of Equity Trustees Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 74.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Equity Trustees Limited is in accordance with 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 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Equity Trustees Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
27 August 2009

Statement of Shareholdings

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

The issued capital of the company as at 31 August 2009 comprising 8,278,176 fully paid ordinary shares is held by 1,510 shareholders as follows:

Size of Holding	Holders of Ordinary Shares
1 – 1,000*	731
1,001 – 5,000	541
5,001 – 10,000	132
10,001 – 100,000	98
100,001 and over	8
	1,510

* Number of shareholders holding less than a marketable parcel ($500) based on the market price of $18.20 as at 31 August 2009 was 26.

Twenty Largest Shareholders as at 31 August 2009		No. of Shares	%
1.	Trust Company Fiduciary Services Limited	1,193,942	14.42
2.	Australian Foundation Investment Company Limited	579,887	7.01
3.	Equity Nominees Limited	398,525	4.81
4.	Mirrabooka Investments Limited	245,897	2.97
5.	DB Management Pty Ltd	239,546	2.89
6.	Milton Corporation Limited	225,503	2.72
7.	Amcil Limited	176,703	2.13
8.	DB Management Pty Ltd	146,905	1.77
9.	Cogent Nominees Pty Limited	91,753	1.11
10.	Mr Leonard Clive Keyte	77,552	0.94
11.	ANZ Nominees Limited	72,249	0.87
12.	RBC Dexia Investor Services Australian Nominees Pty Limited	71,000	0.86
13.	National Nominees Limited	66,451	0.80
14.	Mr Vernon Thomas Hauser	66,000	0.80
15.	Fatofa Investments Pty Ltd	65,554	0.79
16.	Mr Geoffrey & Mrs Dorothy Heeley	52,395	0.63
17.	DB Management Pty Ltd	51,698	0.62
18.	DB Management Pty Ltd	51,482	0.62
19.	DB Management Pty Ltd	49,949	0.60
20.	Citicorp Nominees Pty Limited	45,972	0.56

Substantial shareholders

At 31 August 2009, substantial shareholder notices had been received from the following shareholders:

	Shares Held
Trust Company Limited	1,161,567
Australian Foundation Investment Company Limited	502,688
DB Management Pty Ltd and Associates	493,560
Equity Nominees Limited as nominee for Equity Trustees Limited as responsible entity for the Professional Investor Smaller Companies Trust and as executor for deceased estates, manager of investment portfolios and trustee of continuing estates	450,580

Notes

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