Annual Report 2012

Directory

Board of Directors

J A (Tony) Killen OAM,
BA, FAICD, FAIM
(Chairman, Non-executive)

Robin B O Burns,
DipAcc, FAICD
(Managing Director)

David F Groves,
BCom, MCom, CA, FAICD
(Deputy Chairman, Non-executive)

Alice J M Williams,
BCom, FCPA, FAICD, ASFA AIF, CFA
(Non-executive)

The Hon Jeffrey G Kennett AC,
HonDBus (Ballarat)
(Non-executive)

Anne M O'Donnell,
BA (Bkg & Fin), MBA, FAICD, F Fin
(Non-executive)

Kevin J Eley,
CA, F FIN
(Non-executive)

Company Secretary / Chief Financial Officer

Terry Ryan,
BBus, FCA, F Fin

Joint Company Secretary

Philip B 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
Level 2, 575 Bourke Street
Melbourne, Victoria 3000
Telephone: (03) 8623 5000
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Annual General Meeting
11.00am, Friday 26 October 2012
Level 2, RACV Club
501 Bourke Street, Melbourne

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Directors' Report

for the Financial Year Ended 30 June 2012

The directors of Equity Trustees Limited (EQT, or the Company) submit herewith the annual financial report for the financial year ended 30 June 2012. 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:

J A (Tony) Killen OAM, Chairman

Robin B O Burns, Managing Director

David F Groves, Deputy Chairman

Alice J M Williams

The Hon Jeffrey G Kennett AC

Anne M O'Donnell

Kevin J Eley (appointed 25 November 2011)

John R McConnell (retired on 28 October 2011)

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 joint 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 B 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 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 Limited Group (the Group) during the course of the financial year involved the provision of a range of financial services to clients of the Private Wealth Services and Corporate Fiduciary & Financial Services (CFFS) business units. During the year, the Private Clients and Superannuation business units were combined, resulting in the Private Wealth Services business unit. Further details pertaining to the activities of the business units is summarised below.

Review of operations

For the year ended 30 June 2012, the Group earned a profit after tax of $8,381,113 (2011: $8,228,812). Apart from the creation of the Private Wealth Services business unit, as noted above, there was no change to the strategic operation of the business units during the 2012 financial year.

The Group earns a major portion of its revenue from fees based on funds under management/administration, with such fees fluctuating in line with investment market volatility.

The two business units, their function and 2012 revenue performance is summarised as follows:

Business unit	Key functions	2012 performance
Private Wealth Services	The provision of personal financial and superannuation services including: • wealth management; • trust management; • estate planning; • executorial; • taxation; • philanthropic services; and • superannuation trustee and administration via a "fund of funds" Master Trust. The above services are supported by an in-house asset management team providing investment advice.	Operating revenue up 14.6% to $23.5m (2011: $20.5m) Funds/Assets under management up 0.3% to $2,288m (2011: $2,281m)
Corporate Fiduciary & Financial Services	The distribution and marketing of Equity Trustees co-branded retail and wholesale funds managed by external specialist investment managers. The provision of responsible entity services to the funds management industry and corporate trust services generally.	Operating revenue up 6.4% to $18.3m (2011: $17.2m) Funds under management/administration up 9.9% to $21,415m (2011: $19,485m)

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 2011:

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 15 April 2011.

ii. A final 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 14 October 2011.

In respect of the financial year ended 30 June 2012:

iii. An interim dividend of 40 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 17 April 2012.

iv. Subsequent to 30 June 2012, the directors declared a final dividend of 45 cents per share, franked to 100% at 30% corporate income tax rate, payable to holders of fully paid ordinary shares on 16 October 2012.

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, 16 Board meetings, 12 Committee of the Board meetings, 5 Remuneration, Human Resources & Nominations Committee meetings and 13 Audit & Compliance Committee (A&CC) meetings were held.

Directors in attendance	Board meetings		Committee of the Board meetings[1]		Remuneration, Human Resources & Nominations 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
J A (Tony) Killen	16	16	6	6	5	5	-	-
R B O Burns	16	16	12	12	-	-	13	13
D F Groves	16	16	11	11	-	-	13	13
A J M Williams[3]	16	15	7	7	5	5	9	7
J G Kennett	16	16	4	4	5	5	-	-
A M O'Donnell	16	16	9	9	-	-	13	13
K J Eley[4]	10	10	6	6	-	-	7	7
J R McConnell[5]	6	6	2	2	-	-	6	6

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 Ms A J M Williams ceased to be an A&CC member after 24 February 2012.
4 Mr K J Eley was appointed as a director on 25 November 2011.
5 Mr J R McConnell retired on 28 October 2011.

Directors' shareholding

The following table sets out each director's relevant interest in shares as at 30 June 2012. All shares are fully paid ordinary shares.

Director	Number of shares
D F Groves	617,900
K J Eley	20,226
J G Kennett	17,857
J A Killen	7,580
R B O Burns	1,000
A M O'Donnell	640
A J M Williams	411

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 it 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 Board Remuneration, Human Resources & Nominations Committee (Remuneration Committee) and determined with regard to current market rates, Group performance and executive performance. The committee is guided by market and industry data through subscriptions to remuneration survey data (Haygroup/Hewitt) to which the Company is also an annual data contributor.

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 – This annual at-risk component is based on the achievement of key performance criteria. Achievement of company and business unit prerequisite measures is required for any incentive amount to be awarded. Maximum cash awards are capped at up to 60% of Total Employment Cost (TEC) for each executive;

iii. Non-monetary – includes eligible salary sacrificed items and fringe benefits tax. This includes any sacrificed amounts into EQT shares, as noted under vii, below;

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), Employee Share Acquisition Plan (ESAP) and EQT Salary Sacrifice Share Plan:

- 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 may be granted each year and if granted 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 until cessation of employment, if earlier than three years. Eligible employees are those with over three months service and who have satisfactorily completed their probation as at 30 June 2012.
- Commencing for the 2010/11 year employees were able to sacrifice up to $5,000 of salary per annum into EQT shares. The sacrificed amount is included in non-monetary items, as per iii above.

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 2012. These include 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 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 Committee confirms the

appropriateness of the criteria, appropriate thresholds and, at the conclusion of the measurement period, confirms the level of achievement.

The maximum short-term incentive opportunity is in the range of 15% to 60% of TEC.

For the year ended 30 June 2012 the key performance criteria being group profitability and revenue were partially achieved. Accordingly, approximately 31% of the maximum short-term incentive opportunity was accrued or paid.

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 Performance Share Plan. The accounting cost of long-term performance incentives is spread over the measurement (vesting) period, with a cost of $147,515 accrued for the year to 30 June 2012 (2011: $84,909).

The maximum share based long-term performance incentive is in the range of 15% to 60% of TEC.

The Board believes that the operational and financial performance of the Group over the last five years has been solid, relative to economic conditions, 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 considered appropriate having regard to the Group's relative performance.

The table below provides summary information about the Group earnings and movements in shareholder wealth for the five years to 30 June 2012:

Table 1

	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000
Revenue	43,647	39,865	35,277	34,501	39,631
Net profit before tax	11,691	11,484	11,477	11,250	14,755
Net profit after tax	8,381	8,229	8,045	8,012	10,565

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Share price at start of year	$13.90	$15.20	$14.50	$21.80	$33.00
Share price at end of year	$11.06	$13.90	$15.20	$14.50	$21.80
Interim dividend[1]	40cps	50cps	50cps	50cps	50cps
Final dividend[1,2]	45cps	50cps	60cps	60cps	60cps
Total dividend	85cps	100cps	110cps	110cps	110cps
Basic earnings per share	96.74cps	97.01cps	96.60cps	98.45cps	133.35cps
Diluted earnings per share	95.99cps	96.34cps	96.02cps	97.93cps	131.79cps

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.

Directors' remuneration

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

Directors fees were increased effective 1 July 2011 after 3 years of no increases and to reflect renewal of the Board and market rate movements.

Directors fees are reviewed annually by the Remuneration Committee having regard to analysis of the market and industry based data and trends. Fees are set to attract and retain high calibre directors and to reflect the contribution required, attendance at the significant number of meetings scheduled each year and their role on the various committees of the Board.

Table 2

Directors	Short-term benefits			Post-employment benefits		Long-term employee benefits	Share-based payments	Total
	Fee/ salary $	Bonus $	Non-monetary[1] $	Superannuation[2] $	DRA[3] $	$	Share Awards $	$
Non-Executive Directors								
J A (Tony) Killen, Chairman								
2012	**165,000**	**-**	**-**	**14,850**	**4,645**	**-**	**-**	**184,495**
2011	104,000	-	-	31,160	4,769	-	-	139,929
D F Groves, Deputy Chairman								
2012	**105,000**	**-**	**5,000**	**15,350**	**15,124**	**-**	**-**	**140,474**
2011	75,000	-	5,000	7,200	12,729	-	-	99,929
A J M Williams								
2012	**96,875**	**-**	**-**	**8,719**	**-**	**-**	**-**	**105,594**
2011	72,500	-	-	6,525	-	-	-	79,025
J G Kennett								
2012	**80,164**	**-**	**5,000**	**7,665**	**-**	**-**	**-**	**92,829**
2011	59,667	-	5,000	5,820	-	-	-	70,487
A M O'Donnell[4]								
2012	**90,000**	**-**	**5,000**	**8,550**	**-**	**-**	**-**	**103,550**
2011	51,142	-	5,000	5,053	-	-	-	61,195
K J Eley[5]								
2012	**30,630**	**-**	**5,000**	**26,500**	**-**	**-**	**-**	**62,130**
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
J R McConnell[6]								
2012	**6,042**	**-**	**-**	**28,475**	**-**	**-**	**-**	**34,517**
2011	56,875	-	-	22,150	10,453	-	-	89,478
B J Jackson[7]								
2011	22,000	-	-	1,980	-	-	-	23,980
Executive Director								
R B O Burns, Managing Director								
2012	**420,238**	**91,800**	**13,987**	**15,775**	**-**	**4,563**	**80,618**	**626,981**
2011	402,402	86,700	7,399	15,199	-	1,573	63,682	576,955

1 Non-monetary amounts relate to the sacrifice of directors fees into EQT shares in accordance with the EQT Salary Sacrifice Share Plan, parking and other sacrificed items and fringe benefits tax.

2 Superannuation includes the SGC and, in some cases, additional superannuation payments that have been sacrificed from directors fees and entitlements.

3 Directors Retiring Allowance (DRA) represents the movement in the accrual for directors' retiring allowance and is calculated in accordance with the accounting policy as outlined in note 3.8 to the financial statements. At the 2005 AGM, shareholders approved an increase in the directors' fees cap on the condition that the DRA scheme was grandfathered for existing directors and closed to future directors. The DRA for then participating directors was frozen as at 31 December 2005, however the frozen amounts are inflation adjusted annually for the movement in CPI. Upon retirement, directors participating in the DRA scheme are paid their DRA balance. These amounts are recorded as separate footnotes to the above table.

4 Ms A O'Donnell was appointed a director on 8 September 2010.

5 Mr K J Eley was appointed a director on 25 November 2011.

6 Mr J R McConnell retired as a director on 28 October 2011 and was paid a DRA of $93,068 from the frozen DRA balance plus a CPI adjustment, where the annual CPI adjustment has been included in each annual Remuneration Report since the fund was frozen in 2005.

7 Mr B J Jackson retired as a director on 29 October 2010 and was paid a DRA of $50,897 from the frozen DRA balance plus a CPI adjustment, where the annual CPI adjustment has been included in each annual Remuneration Report since the fund was frozen in 2005. In the Remuneration Report for the year ended 30 June 2011, the DRA payment of $50,897 was recorded as a benefit within the annual remuneration, however this approach is inconsistent with the approach adopted in prior years. As such, the 2011 treatment has been corrected to be consistent with the current and prior years, so that the DRA payment is now covered by footnote.

n/a Not Applicable

Executive remuneration

The following table discloses remuneration entitlements of the key management personnel of the Group during the year:

Table 3

Executives	Short-term benefits		Post employment benefits	Total employment cost (TEC)	Short-term bonus / incentive	Long-term employee benefits	Share based payments[3]	Total
	Salary $	Non-monetary[1] $	Superannuation[2] $	$	$	$	$	$
T Ryan, CFO & Company Secretary								
2012	**242,074**	**8,551**	**49,375**	**300,000**	**38,865**	**16,609**	**7,599**	**363,073**
2011	225,731	9,570	49,699	285,000	42,465	7,922	19,020	354,407
H H Kalman, Head of Corporate Fiduciary & Financial Services								
2012	**276,130**	**8,095**	**15,775**	**300,000**	**36,945**	**10,734**	**7,599**	**355,278**
2011	260,745	9,056	15,199	285,000	34,343	8,650	19,020	347,013
S R Manuell, Head of Asset Management								
2012	**239,225**	**-**	**15,775**	**255,000**	**74,810**	**13,164**	**5,511**	**348,485**
2011	223,041	6,760	15,199	245,000	36,646	6,262	15,804	303,712
L D Wraith, Head of Personal Estates & Trusts								
2012	**245,737**	**-**	**22,090**	**267,827**	**32,176**	**8,839**	**6,175**	**315,017**
2011	194,954	-	17,546	212,500	33,660	2,758	10,373	259,291
A D Young, Managing Director, Equity Trustees Superannuation Limited								
2012	**200,312**	**8,622**	**46,066**	**255,000**	**32,844**	**13,031**	**-**	**300,875**
2011	185,539	9,939	49,522	245,000	47,653	8,493	-	301,146
P B Maddox, Head of Legal, Risk Management & Compliance								
2012	**217,431**	**-**	**19,569**	**237,000**	**21,339**	**11,425**	**4,852**	**274,616**
2011	211,009	-	18,991	230,000	25,576	7,519	14,739	277,834
P J Galagher, Head of Wealth Management[4]								
2012	**171,893**	**14,170**	**13,937**	**200,000**	**22,398**	**1,228**	**15,685**	**239,311**
2011	144,021	8,266	12,962	165,249	22,260	359	-	187,868
R E Bessemer, General Manager, Operations & Technology[5]								
2012	**182,340**	**-**	**15,113**	**197,453**	**24,137**	**1,170**	**9,520**	**232,280**
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 Non-monetary items include eligible salary sacrificed items and fringe benefits tax. This includes any sacrificed amounts into EQT shares in accordance with the EQT Salary Sacrifice Share Plan.
2 Superannuation includes the SGC and, in some cases, additional superannuation payments that have been sacrificed from salary.
3 Share-based payments relate to the value of LTiP share awards. The value attributable to LTiP share awards is based on the accounting cost, using the fair value at grant date. For the Earnings Per Share (EPS) criterion an assessment is made of the likely achievement of performance hurdles over the three year measurement period and the accounting cost is adjusted accordingly. The EPS criterion was not achieved for the 2009/10 Series ended on 30 June 2012. 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 2008/09 Series which ended on 30 June 2011 was not achieved, and a 4th year test undertaken at 31 December 2011 and 30 June 2012 was also not achieved. Regardless of the outcome of TSR Awards, 100% of the accounting cost is charged against executive remuneration packages, even though the executive may receive a lesser award when measures are finalised.
4 Mr PJ Galagher became a key management person effective 14 July 2010.
5 Mr RE Bessemer became a key management person effective 1 July 2011. Therefore, comparative figures are not applicable.
n/a Not Applicable.

Apart from the payment of $93,068 made to Mr JR McConnell upon his retirement, there were no termination payments made during the year ended 30 June 2012 (2011: Retirement payment to Mr BJ Jackson of $50,897).

Link between profit outcomes and executive remuneration

In line with the short-term incentive criteria, short-term incentives and sales related bonuses were earned by members of the executive team. Based on 2011/12 criteria, when compared to actual 2011/12 performance, approximately 31% of the maximum short-term incentive opportunity has been awarded to eligible employees. Individual awards were in the range of 22% to 43% of maximum possible short-term incentives.

In relation to the long-term incentive measurement criteria, as described below, the 2009/10 Series long-term incentives which ended 30 June 2012, were not earned.

Employment agreements

The employment agreements for the Managing Director and key management personnel are ongoing, permanent full-time agreements which do not have a stipulated fixed term. The designated notice period for the Managing Director is six months. Otherwise, notice periods are based on minimum statutory standards.

Executive Performance Share Plan

LTiP 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.

The structure of the Plan approved by the Equity Trustees Limited Remuneration Committee forms part of the remuneration structure of eligible executives, in particular, the long-term incentive component of remuneration.

The following is an overview of the key features of the Plan as determined by the Remuneration Committee and approved by the Board:

- 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 for a particular 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 of each year;
- the performance criteria are based on:
  - Total Shareholder Return (TSR) for the Managing Director only; and
  - Earnings Per Share (EPS) for all participants;
- 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;
- the vesting scale for live TSR Awards for series 2010/11 and 2011/12 is:
  - a TSR ranking of 50th percentile achieves 50% of the available Award; or
  - a TSR ranking of 75th percentile achieves 100% of the available Award;
- 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 vesting scale for live EPS Awards is:
  - growth in pretax operating earnings per share of 5% pa over the three year measurement period achieves 25% of the available Award; or
  - growth in pretax operating earnings per share of 15% pa over three year measurement period achieves 100% of the available Award;
- 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;
- 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 are subject to forfeiture conditions during the three year measurement period;
- shares can be assigned disposal restrictions of between zero and four years which will apply to shares issued following the three year measurement period;
- dividends are received by participants once awards are vested into shares;
- 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; and
- the EQT Securities Dealing Policy also makes reference to the ban on hedging or derivative techniques and applies to all EQT employees.

In accordance with the Plan, variations to the above features may apply, where approved by the Board. The grant date for the 2011/12 Series was 12 August 2011 for executives and 28 October 2011 for the Managing Director. There were no alterations to terms or conditions of the 2011/12 Series compared to the prior year.

In relation to the 2009/10 Series, the EPS criterion was not achieved at the conclusion of the three year measurement period ended 30 June 2012. This has resulted in the forfeiture of 42,161 EPS awards. In relation to the 2008/09 Series, the fourth year testing of the TSR criterion was not achieved in the period to 30 June 2012, resulting in the forfeiture of 4,697 TSR Awards.

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

Award Series	Number at 30 June 2012	Grant date	Expiry date	Exercise price	Fair value at Grant date	Total maximum future accounting value of Grant*
				$	$	$
2011/12 Series	63,770	**	30/06/2014	Nil	9.64	409,694
2010/11 Series	54,622	***	30/06/2013	Nil	12.27	419,616
2009/10 Series	42,161	23/06/2009	30/06/2012	Nil	12.12	-

* The minimum future accounting value of each Grant is nil.
** The Grant date for executives was 12 August 2011 and for the Managing Director, 28 October 2011.
*** The Grant date for executives was 3 August 2010 and for the Managing Director, 29 October 2010.

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 2011/12 Series) to incorporate an estimate of the probability of achieving the TSR hurdle and the number of share entitlements vesting.

Inputs into the model	2011/12 Series		20010/11 Series		2009/10 Series
	Managing Director	Other participants	Managing Director	Other participants	All participants**
Grant date share price	$13.15	$11.54	$15.85	$14.74	$13.45
Exercise price	Nil	Nil	Nil	Nil	Nil
Expected volatility	30%	30%	35%	35%	35%
Share entitlement life*	3 years	3 years	3 years	3 years	3 years
Dividend yield	6.5%	6.5%	6.0%	6.0%	3.5%
Risk-free interest rate	3.94%	3.75%	4.87%	4.56%	4.51%

* In accordance with the Plan, the measurement of performance criteria is at the end of the three year period ending 30 June, however if the TSR performance criterion is not fully achieved a further assessment at the end of the fourth year will apply.

** The Managing Director did not participate in this Series.

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

	2012	2011
	Number of share entitlements	Number of share entitlements
Balance of Awards not vested at beginning of the financial year	101,480	64,322
New Awards granted during the financial year	63,770	54,622
Awards exercised into shares during the financial year	-	-
Awards vested during the financial year	-	-
Awards forfeited during the year	(46,858)	(17,464)
Balance of Awards not vested at end of the financial year[1]	118,392	101,480
Vested and Exercisable Awards – Balance at end of the financial year[1]	44,888	44,888

1 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 561 days (2011: 572 days). For TSR, a further test may be available at the end of the fourth year 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:

2012	Balance of Awards at 1 July 2011 No.	Awards granted as comp-ensation No.	Awards exercised into shares No.	Awards forfeited[1] No.	Balance of Awards at 30 June 2012 No.	Awards vested & exercisable (excluding those already exercised) No.	Balance of Awards Not Vested at 30 June 2012[2] No.	Vested during 2012 year No.
RBO Burns	16,088	16,508	-	-	32,596	-	32,596	-
T Ryan	27,804	7,337	-	(8,904)	26,237	(11,708)	14,529	-
HH Kalman	27,804	7,337	-	(8,904)	26,237	(11,708)	14,529	-
SR Manuell	25,380	6,236	-	(8,100)	23,516	(11,097)	12,419	-
PB Maddox	23,860	5,796	-	(7,681)	21,975	(10,375)	11,600	-
LD Wraith	11,236	5,625	-	(5,873)	10,988	-	10,988	-
PJ Galagher	-	4,891	-	-	4,891	-	4,891	-
RE Bessemer	-	2,969	-	-	2,969	-	2,969	-

1 The value of awards forfeited for key management personnel during the year ended 30 June 2012 was $57,889 for the 2008/09 Series and $431,617 for the 2009/10 Series.

2 The balance of awards not vested at 30 June 2012 does not necessarily represent awards that will be vested in the future. The balance will remain until the respective measurement periods have been completed and a final assessment is made.

2011	Balance of Awards at 1 July 2010 No.	Awards granted as comp-ensation No.	Awards exercised into shares No.	Awards forfeited[2] No.	Balance of Awards at 30 June 2011 No.	Awards vested & exercisable (excluding those already exercised) No.	Balance of Awards not vested at 30 June 2011[3] No.	Vested during 2011 year No.
RBO Burns[1]	-	16,088	-	-	16,088	-	16,088	-
T Ryan	24,437	7,192	-	(3,825)	27,804	(11,708)	16,096	-
HH Kalman	24,437	7,192	-	(3,825)	27,804	(11,708)	16,096	-
SR Manuell	22,683	6,183	-	(3,486)	25,380	(11,097)	14,283	-
PB Maddox	21,024	5,804	-	(2,968)	23,860	(10,375)	13,485	-
LD Wraith	5,873	5,363	-	-	11,236	-	11,236	-
A D Young	342	-	-	(342)	-	-	-	-

1 Mr RBO Burns was appointed Managing Director on 1 March 2010. Participation in long-term incentive awards was approved by shareholders at the 2010 AGM, held on 29 October 2010.
2 The value of awards forfeited for key management personnel during the year ended 30 June 2011 was $61,340 for the 2007/08 Series and $240,219 for the 2008/09 Series.
3 The balance of awards not vested at 30 June 2011 does not necessarily represent awards that will be vested in the future. The balance will remain until the respective measurement periods have been completed and a final assessment is made.

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 11 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.

On behalf of the directors

Mr Robin B O Burns
Managing Director
Dated 30 August 2012

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 2012 is as follows:

JA (Tony) Killen OAM – Chairman

BA, FAICD, FAIM

Chairman – Appointed 30 August 2007

Non-Executive Director – Appointed September 2002

Member of Equity Trustees' Remuneration, Human Resources & Nominations Committee since September 2004.

Tony is Chairman of CCI Investment Management Ltd and Sisters of Charity Community Care Ltd. He is also a non-executive director of listed company Templeton Global Growth Fund Ltd and Catholic Church Insurances 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 was also Chairman of Australia's largest not-for-profit health services provider, Sisters of Charity Health Service Ltd. Tony was also a non-executive director of listed company IRESS Market Technology Ltd.

In 2010, Mr Killen was awarded the Medal of the Order of Australia.

Robin B O Burns – Managing Director

DipAcc, FAICD

Executive Director since 1 March 2010

Robin was appointed Managing Director of Equity Trustees on 1 March 2010. Before joining Equity Trustees he was, from 2002, Chief Executive Officer of Equipsuper Pty Ltd, the trustee company for the Equipsuper multi-employer superannuation fund. Robin is a non-executive director of the Financial Services Council.

Robin previously worked for AXA Asia Pacific, where he held the positions of General Manager, Corporate Affairs and Chief Executive, Risk Insurance and for the stockbroking firm Prudential-Bache Securities (Australia), where he was Managing Director, having joined the firm as Chief Financial Officer.

Robin has 26 years of experience in the financial services industry. He gained his initial professional qualification as a chartered accountant in the UK in 1981.

David F Groves – Deputy Chairman

BCom, MCom, CA, FAICD

Deputy Chairman since December 2007

Non-Executive Director since November 2000

Chairman of Equity Trustees' Audit & Compliance Committee since January 2003.

David is a director of Pipers Brook Vineyard Pty Ltd and Kambala, a leading girls' school in Sydney. He is also an executive director of a number of private companies.

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

Alice J M Williams – Director

BCom, FCPA, FAICD, ASFA AIF, CFA

Non-Executive Director – Appointed September 2007

Member of Equity Trustees' Remuneration, Human Resources & Nominations Committee since July 2011. Appointed Chairman in August 2011.

Member of Equity Trustees' Audit & Compliance Committee between September 2007 and February 2012.

Alice has over 25 years' senior management and Board level experience in the corporate and Government sectors specialising in investment management, corporate advisory and equity fundraising.

Other non-executive directorships include; Djerriwarrh Investments Ltd, Defence Health, Guild Group Holdings Limited, Strategic Analytics (Australia) Pty Ltd and Victorian Funds Management Corporation. Alice is also a council member at the Cancer Council of Victoria.

Alice was formerly a director of Avion Technology Pty Ltd, State Trustees, NM Rothschild and Sons (Australia) Limited, Director of Strategy and Planning for Ansett Australia Holdings Limited and a Vice President at JP Morgan Australia.

The Hon Jeffrey G Kennett AC – Director

HonDBus (Ballarat)

Non-Executive Director – Appointed September 2008

Member of Equity Trustees' Remuneration, Human Resources & Nominations 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 Victoria from 1992 to 1999.

Jeff is currently Chairman of Open Windows Australia Proprietary Limited, CT Management Group Pty Ltd and beyondblue, the national depression initiative. He is also Chairman of the Board of Management of PFD Food Services Pty Ltd and a Director of Jumbuck Entertainment Limited.

He is currently patron of a number of community organisations and was formerly President of the Hawthorn Football Club.

In 2005, Mr Kennett was awarded the Companion of the Order of Australia.

Anne M O'Donnell – Director

BA (Bkg & Fin), MBA, FAICD, F Fin

Non-Executive Director – Appointed September 2010

Member of Equity Trustees' Audit & Compliance Committee since December 2010.

Anne has some 30 years' experience in the finance sector. She is an experienced executive and non-executive director in the listed, not-for-profit, and mutual sectors.

Anne is the former Managing Director of Australian Ethical Investment Ltd. Anne was formerly a director of the Financial Services Council, The Centre for Australian Ethical Research Pty Ltd, and the ANZ Staff Superannuation Fund.

Current directorships include: Australian Institute of Company Directors, Community CPS Australia Ltd, Eastwoods Pty Ltd and The Grain Growers Association Ltd and an alternate director on the Board of Corporate Analysis Enhanced Responsibility (CAER). Anne is also an external member of the UBS Global Asset Management (Australia) Ltd Compliance Committee and a member of IP Australia Audit and Evaluation Committee.

Kevin J Eley – Director

CA, F FIN

Non-Executive Director – Appointed November 2011

Member of Equity Trustees' Audit & Compliance Committee since November 2011.

Kevin is a Chartered Accountant and a Fellow of the Financial Services Institute of Australia. He has over 30 years' experience in management, financing and investment and has worked for a major international accounting firm, two investment banks and was CEO of HGL Limited and remains as a non-executive director.

Other public company directorships were Desane Group Holdings Limited, Solander Holdings Limited, Leutenneger Limited, Laubman and Pank Limited and Sabre Group Limited.

Other current non-executive directorships include: Kresta Holdings Limited, Milton Corporation Limited and PO Valley Energy Limited.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

30 August 2012

Dear Board Members

Equity Trustees Limited

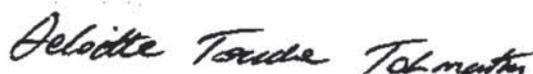
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Equity Trustees Limited.

As lead audit partner for the audit of the financial statements of Equity Trustees Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu

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 Registrable 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, provide traditional trustee company services and also undertake a number of other associated services. As such, it is licensed by the Australian Securities & Investments Commission (ASIC). EQT is listed on the Australian Securities Exchange (ASX). EQT's governance obligations include compliance with the APRA Superannuation Prudential Framework, 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 entities 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 entities must identify the Principles which have not been followed and provide reasons for the decision.

As detailed in this Corporate Governance Statement, EQT considers that for the financial year to which this report relates, 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 during the financial year, the Board itself acted as the nominations committee. Since the end of the financial year, the Board appointed the Remuneration and Human Resources Committee to also act as the nomination committee. The committee is now known as the Remuneration, Human Resources & Nominations Committee.

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 Managing Director and various Board and Management Committees. The Management Committees 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, reviewing and fixing executive remuneration, capital management, and monitoring and approval of financial reporting.

The Management Committees are as follows:

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.

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.

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 Mortgage Wholesale 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 the 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 on pages 6 to 13 for further information on executive's 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 Company 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 (now known as the Remuneration, Human Resources & Nominations 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 director's 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 Board seeks to maintain a broad range of relevant skills, experience and expertise. Amongst other things, these skills, experience and expertise include relevant financial services industry experience and, management experience and expertise. These requirements are considered on the appointment of any new director. To meet these requirements, an independent external agency is appointed to identify an appropriate candidate.

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 2012, Mr David Groves, through related entities, held 6.94% of Equity Trustees Limited. The Board has considered the current Shareholders Register, including other substantial shareholdings and considers that Mr Grove's 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 properly 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, for the financial period to which this report relates, the Board did not constitute a Nomination Committee. Rather, the Board determined that given its current size and experience, the tasks normally undertaken by a Nomination Committee are better performed by the full Board itself. Since the end of the financial period, the Board has determined that the role of the Remuneration and Human Resources Committee will be expanded to also undertake the functions of a nomination committee. The committee is now known as the Remuneration, Human Resources & Nominations Committee. The committee's charter is available from the company's website www.eqt.com.au.

Skills and diversity

The Board maintains a broad mix of skills that are relevant to the Company's business. In addition to its core businesses, the Board seeks to also maintain a diverse range of views and opinions as it believes that diversity will be beneficial to its performance and the Company's businesses.

The Company's Diversity Policy is available from the Company's website www.eqt.com.au. Please see page 23 for the Company's Diversity Report which includes the Company's progress to achieving its diversity objectives.

Board performance

On a triennial basis, the Board submits itself to formal review by an external governance expert. The most recent review took place in the March quarter of 2010 and was conducted by Baker & Baptist Pty Ltd. The review concluded: *"The EQT Board continues to perform strongly against the ASX's Corporate Governance Principles and Recommendations"*.

In addition to the triennial review, the Board monitors its performance and composition on an ongoing basis 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. Each director is also subject to peer review by fellow directors before endorsement to stand for re-election.

The Board also keeps under review succession planning for the ongoing development of the Board. The Board has a current succession plan to provide for orderly renewal of the Board as retirements take place in the normal course in coming years. 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 an established code of conduct and practice through its policies and procedures.

The code of conduct and practice include the following:

- high professional and ethical expectations;
- 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 conduct and 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 licensed trustee company;
- 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 of customers and confidentiality of their affairs;
- 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, and the next full business day after, the release of EQT's audited half-yearly or yearly results, and the two weeks immediately before, and the next full business day after, EQT's Annual General Meeting.

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

A copy of EQT's Securities Dealing Policy has been lodged with 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:

- David F Groves, Chairman (Appointed to Committee 1 January 2002, appointed Chairman 30 January 2003);
- Anne M O'Donnell (Appointed 1 December 2010); and
- Kevin J Eley (Appointed 25 November 2011).

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. The committee's charter is available from the Company's website www.eqt.com.au. 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 processes 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.

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 risk management framework and system of internal controls. It monitors the risk management framework itself and operational and financial aspects of the Company's activities. Through the Audit & Compliance Committee, the Board considers the recommendations and advice of external and internal auditors and other external advisers on 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 2012 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:

- book-keeping services;
- complete outsourcing of the internal audit function;
- asset or liability valuation services which are material to the Company's 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 (now known as the Remuneration, Human Resources & Nominations Committee) that reviews the remuneration of all directors (including the Managing Director), within the limits approved by shareholders at an Annual General Meeting, and reviews the remuneration of executives on an annual basis. The Board approves all changes to director and executive remuneration.

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. Since the end of the financial period, the Board has determined that the Remuneration and Human Resources Committee (now known as the Remuneration, Human Resources & Nominations Committee) will also oversee the nomination functions.

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 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 Financial Statements and Remuneration Report. Non-executive directors are not eligible for incentive based remuneration.

The independent non-executive members of the Remuneration and Human Resources Committee (now known as the Remuneration, Human Resources & Nominations Committee) are:

Alice J M Williams	Appointed 29 July 2011, appointed Chairman 12 August 2011;
J A (Tony) Killen	Appointed 8 September 2004
The Hon Jeffrey G Kennett AC	Appointed 1 September 2008

The Board appointed Mr Kennett as Acting Chairman for meetings of the committee held between 1 July 2011 and Ms Williams' appointment as Chairman on 12 August 2011.

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.

Diversity report

A diverse workforce is of significant social and commercial value. EQT recognises the importance of being an inclusive employer. Gender diversity has been and continues to be a priority for the EQT Group.

During 2011/12 the total number of employees in the EQT Group grew by a net 22 employees. Of the new employees engaged during 2011/12, 65% were women and 35% men.

As at 30 June 2012, the proportion of women employed by the EQT Group at each level was:

Board	33%
Executive	17%
Senior Management	47%
Company Wide	42%

The EQT Group plans to increase the representation of women as opportunities permit, with particular emphasis at Executive Level.

Director's Declaration

Equity Trustees Limited
ABN 46 004 031 298

Directors' Declaration for the financial year ended 30 June 2012

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) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

c) 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

d) 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 Robin B O Burns
Managing Director

Melbourne, 30 August 2012

Financial Report 2012

Income Statement

for the Financial Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
Revenue	6	42,608,751	38,558,142	28,707,119	27,427,387
Other revenue	6	1,037,990	1,306,406	6,948,700	4,211,694
Total revenue	**6**	**43,646,741**	**39,864,548**	**35,655,819**	**31,639,081**
Employee benefits expenses	8	22,499,151	18,826,516	15,924,726	13,621,350
Other employment and consulting expenses		1,333,411	1,595,474	1,043,634	1,303,437
Audit and tax advice expenses		337,139	481,106	271,810	429,782
Depreciation and amortisation expenses	8	1,139,720	912,781	1,010,452	708,370
Management rights amortisation	8	235,307	197,271	-	-
Insurance expenses		542,491	528,996	421,652	425,990
Financial, legal and regulatory expenses		419,983	403,041	284,418	244,621
Marketing expenses		1,261,282	1,089,854	1,035,249	988,819
Information technology expenses		1,532,490	1,360,443	1,207,187	1,176,183
Occupancy expenses		1,397,991	1,414,878	883,677	898,324
Other expenses		1,256,849	1,570,463	750,574	800,966
Total expenses		**31,955,814**	**28,308,823**	**22,833,379**	**20,597,842**
Profit before income tax expense		**11,690,927**	**11,483,725**	**12,822,440**	**11,041,239**
Income tax expense	9	3,309,814	3,254,913	2,380,665	2,143,394
Profit from continuing operations		**8,381,113**	**8,228,812**	**10,441,775**	**8,897,845**
Profit for the year		**8,381,113**	**8,228,812**	**10,441,775**	**8,897,845**
Attributable to:					
Owners of the Company		8,384,848	8,228,812	10,441,775	8,897,845
Non-controlling interests	34	(3,735)	-	-	-
		8,381,113	**8,228,812**	**10,441,775**	**8,897,845**
Earnings per share					
- Basic (cents per share)	28	96.74	97.01		
- Diluted (cents per share)	28	95.99	96.34		

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

Statement of Financial Position

at 30 June 2012

		Consolidated		Company	
	Note	2012 $	2011 $	2012 $	2011 $
Current assets					
Cash and cash equivalents	37	9,898,656	6,252,593	9,408,226	5,441,905
Trade and other receivables	12	4,870,866	3,915,944	4,895,588	3,995,596
Other	13	2,720,388	2,753,751	2,365,731	2,499,081
Total current assets		**17,489,910**	**12,922,288**	**16,669,545**	**11,936,582**
Non-current assets					
Trade and other receivables	14	108,186	108,186	108,186	108,186
Other financial assets	15	2,855,198	4,870,526	36,528,799	35,685,434
Property, plant and equipment	16	909,983	985,322	802,555	869,633
Intangible assets	17	33,063,017	33,133,855	3,617,670	3,722,229
Deferred tax assets	9	1,623,706	1,584,613	1,266,270	1,296,098
Goodwill	18	9,432,878	8,272,592	-	-
Total non-current assets		**47,992,968**	**48,955,094**	**42,323,480**	**41,681,580**
Total assets		**65,482,878**	**61,877,382**	**58,993,025**	**53,618,162**
Current liabilities					
Trade and other payables	19	622,284	359,729	458,196	167,018
Provisions	20	2,742,754	2,696,085	2,024,344	2,224,464
Other current liabilities	21	96,957	49,781	88,663	49,781
Current tax payable	9	540,331	1,312,219	540,331	1,312,219
Total current liabilities		**4,002,326**	**4,417,814**	**3,111,534**	**3,753,482**
Non-current liabilities					
Provisions	22	1,383,953	1,091,757	967,771	740,410
Other non-current liabilities	23	434,401	380,665	534,411	480,675
Deferred tax liabilities – investment revaluation	9	185,796	553,514	185,796	553,514
Total non-current liabilities		**2,004,150**	**2,025,936**	**1,687,978**	**1,774,599**
Total liabilities		**6,006,476**	**6,443,750**	**4,799,512**	**5,528,081**
Net assets		**59,476,402**	**55,433,632**	**54,193,513**	**48,090,081**
Equity					
Issued capital	25	47,481,389	43,489,257	47,481,389	43,489,257
Investment revaluation reserve	27	424,466	1,354,263	424,466	1,354,263
Other reserves	26	846,017	515,502	846,017	515,502
Retained earnings		10,728,240	10,074,585	5,441,641	2,731,059
Equity attributable to owners of the Company		**59,480,112**	**55,433,607**	**54,193,513**	**48,090,081**
Non-controlling interests	34	(3,710)	25	-	-
Total equity		**59,476,402**	**55,433,632**	**54,193,513**	**48,090,081**

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 2012

Consolidated		Reserves				
	Fully paid ordinary shares $	Investment revaluation $	Retained earnings $	Equity settled employee benefits $	Non-controlling interests	Total equity $
Balance at 1 July 2010	**40,955,514**	**1,270,071**	**11,137,061**	**573,593**	**-**	**53,936,239**
Profit for the period	-	-	8,228,812	-	-	8,228,812
Increase from revaluation of available for sale investments	-	754,292	-	-	-	754,292
Related income tax	-	(218,407)	-	-	-	(218,407)
Gain on sale of available for sale investments	-	(636,526)	-	-	-	(636,526)
Related income tax	-	184,833	-	-	-	184,833
Total comprehensive income for the period	-	84,192	8,228,812	-	-	8,313,004
Shares issued under dividend reinvestment plan	2,385,422	-	-	-	-	2,385,422
Shares issued under employee share acquisition scheme	136,896	-	-	(136,896)	-	-
Shares issued – salary sacrifice	20,553	-	-	-	-	20,553
Share issue costs	(13,039)	-	-	-	-	(13,039)
Related income tax	3,911	-	-	-	-	3,911
Non-controlling interests in Simple Wrap Pty Ltd	-	-	-	-	25	25
Provision for executive share entitlements	-	-	-	84,909	-	84,909
Release of employee share acquisition plan provision	-	-	-	(6,104)	-	(6,104)
Payment of dividends	-	-	(9,291,288)	-	-	(9,291,288)
Balance at 30 June 2011	**43,489,257**	**1,354,263**	**10,074,585**	**515,502**	**25**	**55,433,632**
Profit/(loss) for the period	-	-	8,384,848	-	(3,735)	8,381,113
Decrease from revaluation of available for sale investments	-	(671,932)	-	-	-	(671,932)
Related income tax	-	180,830	-	-	-	180,830
Gain on sale of available for sale investments	-	(625,583)	-	-	-	(625,583)
Related income tax	-	186,888	-	-	-	186,888
Total comprehensive income/(loss) for the period	-	(929,797)	8,384,848	-	(3,735)	7,451,316
Shares issued under dividend reinvestment plan	1,591,253	-	-	-	-	1,591,253
Shares issued under share placement	2,421,242	-	-	-	-	2,421,242
Shares issued – salary sacrifice	45,988	-	-	-	-	45,988
Share issue costs	(94,787)	-	-	-	-	(94,787)
Related income tax	28,436	-	-	-	-	28,436
Provision for executive share entitlements	-	-	-	147,515	-	147,515
Provision for employee share acquisition plan	-	-	-	183,000	-	183,000
Payment of dividends	-	-	(7,731,193)	-	-	(7,731,193)
Balance at 30 June 2012	**47,481,389**	**424,466**	**10,728,240**	**846,017**	**(3,710)**	**59,476,402**

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

Company			Reserves			
	Fully paid ordinary shares $	Investment revaluation $	Retained earnings $	Equity settled employee benefits $	Non-controlling interests	Total equity $
Balance at 1 July 2010	**40,955,514**	**1,270,071**	**3,124,502**	**573,593**	**-**	**45,923,680**
Profit for the period	-	-	8,897,845	-	-	8,897,845
Increase from revaluation of available for sale investments	-	754,292	-	-	-	754,292
Related income tax	-	(218,407)	-	-	-	(218,407)
Gain on sale of available for sale investments	-	(636,526)	-	-	-	(636,526)
Related income tax	-	184,833	-	-	-	184,833
Total comprehensive income for the period	-	84,192	8,897,845	-	-	8,982,037
Shares issued under dividend reinvestment plan	2,385,422	-	-	-	-	2,385,422
Shares issued under employee share acquisition scheme	136,896	-	-	(136,896)	-	-
Shares issued – salary sacrifice	20,553	-	-	-	-	20,553
Share issue costs	(13,039)	-	-	-	-	(13,039)
Related income tax	3,911	-	-	-	-	3,911
Provision for executive share entitlements	-	-	-	84,909	-	84,909
Release of employee share acquisition plan	-	-	-	(6,104)	-	(6,104)
Payment of dividends	-	-	(9,291,288)	-	-	(9,291,288)
Balance at 30 June 2011	**43,489,257**	**1,354,263**	**2,731,059**	**515,502**	**-**	**48,090,081**
Profit for the period	-	-	10,441,775	-	-	10,441,775
Decrease from revaluation of available for sale investments	-	(671,932)	-	-	-	(671,932)
Related income tax	-	180,830	-	-	-	180,830
Gain on sale of available for sale investments	-	(625,583)	-	-	-	(625,583)
Related income tax	-	186,888	-	-	-	186,888
Total comprehensive income for the period	-	(929,797)	10,441,775	-	-	9,511,978
Shares issued under dividend reinvestment plan	1,591,253	-	-	-	-	1,591,253
Shares issued under share placement	2,421,242	-	-	-	-	2,421,242
Shares issued – salary sacrifice	45,988	-	-	-	-	45,988
Share issue costs	(94,787)	-	-	-	-	(94,787)
Related income tax	28,436	-	-	-	-	28,436
Provision for executive share entitlements	-	-	-	147,515	-	147,515
Provision for employee share acquisition plan	-	-	-	183,000	-	183,000
Payment of dividends	-	-	(7,731,193)	-	-	(7,731,193)
Balance at 30 June 2012	**47,481,389**	**424,466**	**5,441,641**	**846,017**	**-**	**54,193,513**

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

Statement of Comprehensive Income

for the Financial Year Ended 30 June 2012

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Net profit after income tax expense from continuing operations	**8,381,113**	**8,228,812**	**10,441,775**	**8,897,845**
Other comprehensive income				
Realised (gain)/loss on sale of available-for-sale investments	(625,583)	(636,526)	(625,583)	(636,526)
Increase/(decrease) from revaluation of available-for-sale investments	(671,932)	754,292	(671,932)	754,292
Income tax relating to components of other comprehensive income	367,718	(33,574)	367,718	(33,574)
Total comprehensive income for the period	**7,451,316**	**8,313,004**	**9,511,978**	**8,982,037**
Attributable to:				
Owners of the Company	7,455,051	8,313,004	9,511,978	8,982,037
Non-controlling interests	(3,735)	-	-	-
	7,451,316	**8,313,004**	**9,511,978**	**8,982,037**

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

Statement of Cash Flows

for the Financial Year Ended 30 June 2012

		Consolidated		Company	
	Note	2012 $	2011 $	2012 $	2011 $
Cash flows from operating activities					
Receipts from customers		49,318,659	44,071,082	35,193,355	31,834,871
Payments to suppliers and employees		(37,331,544)	(32,398,084)	(27,418,276)	(23,335,271)
Income tax paid		(4,071,694)	(3,127,950)	(4,071,694)	(3,127,950)
Net cash provided by operating activities	37 (b)	**7,915,421**	**8,545,048**	**3,703,385**	**5,371,650**
Cash flows from investing activities					
Proceeds on sale of investment securities		1,400,976	6,001,843	1,400,976	6,001,843
Interest received		310,150	557,563	280,858	522,852
Dividends received		58,717	158,162	58,717	158,162
Proceeds from repayment of related party loans		-	-	3,360,000	2,990,949
Payment for property, plant and equipment		(330,263)	(384,121)	(328,652)	(361,594)
Payment for intangible assets		(510,210)	(999,238)	(510,210)	(999,238)
Amounts advanced to related parties		-	-	-	(10,782,511)
Payment for businesses		(1,384,589)	(10,616,206)	(1,384,589)	-
Net cash provided by/(used in) investing activities		**(455,219)**	**(5,281,997)**	**2,877,100**	**(2,469,537)**
Cash flows from financing activities					
Proceeds from issues of equity securities		2,421,267	-	2,421,242	-
Dividend received from related party		-	-	1,200,000	-
Payment for share issue cost		(94,787)	(13,039)	(94,787)	(13,039)
Dividend paid to members of the parent entity (net of shares issued under dividend reinvestment plan)		(6,140,619)	(6,905,799)	(6,140,619)	(6,905,799)
Net cash provided by financing activities		**(3,814,139)**	**(6,918,838)**	**(2,614,164)**	**(6,918,838)**
Net (decrease)/ increase in cash held		3,646,063	(3,655,787)	3,966,321	(4,016,725)
Cash and cash equivalents at beginning of financial year		6,252,593	9,908,380	5,441,905	9,458,630
Cash and cash equivalents at end of financial year	37 (a)	**9,898,656**	**6,252,593**	**9,408,226**	**5,441,905**

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 2012

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 St, Melbourne, Victoria 3000, Australia. Equity Trustees Limited and its subsidiaries (refer note 32) are referred to as 'the Group' in the following notes.

2. Application of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'1) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group does not have any renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'1) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has continued to present this information in the statement of changes in equity which is consistent with prior years.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 36 have not been materially affected by this change.

Standards and Interpretations affecting the reported results or financial position

There were no new or revised Standards or Interpretations adopted in the current period that affected reported results or financial position.

2.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements or on the presentation and disclosure of amounts in the financial statements but may affect the accounting for future transactions or arrangements.

Standard	Description
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any effect on the disclosures made in the consolidated financial statements.

2. Application of new and revised Accounting Standards (cont.)

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

Future changes in accounting policies

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The following existing group accounting policies will change on adoption of these pronouncements:

AASB 9

AASB 9 'Financial Instruments' issued in December 2009 introduces new requirements for the classification and measurement of financial assets. AASB 9 amended in December 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of AASB 9 are described as follows:

AASB 9 requires all recognised financial assets that are within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' to be subsequently measured at amortised cost or fair value. Under AASB 9 debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at their fair values. Also under AASB 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss. In relation to Equity Trustees, it is anticipated the main impact will be in relation to the classification and measurement of financial assets. In broad terms, the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the entity qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income. Currently, the Group's investments are designated as available for sale and any unrealised movements are taken to an investment revaluation reserve. Where an available for sale investment suffers a significant or prolonged impairment it must be written down through the profit and loss. However, any reversal of an unrealised impairment loss on equities is not taken to profit and loss but directly to reserves. On adoption of the Standard the non-equity investments in the portfolio will be measured at fair value through the profit and loss (if they do not qualify for amortised cost accounting) and all realised and unrealised gains and losses will be taken to the income statement. The equity investments will either be measured at fair value through the profit and loss, or if an election is made, at fair value through the statement of other comprehensive income. In the latter case the realised and unrealised movements will be taken up through the statement of other comprehensive income and will not be reclassified to profit and loss on disposal of the equity investments.

The directors anticipate that AASB 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new Standard will have an impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

AASB 10, AASB 11, AASB 12, AASB 127 (2011), AASB 128 (2011) and AASB 2011-7

In August 2011, a package of six Standards on consolidation, joint arrangements, associates and disclosures was issued, including AASB 10, AASB 11, AASB 12, AASB 127 (2011), AASB 128 (2011) and AASB 2011-7. Key requirements of these six Standards are described below.

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements. Interpretation 112 'Consolidation – Special Purpose Entities' has been withdrawn upon the issuance of AASB 10. Under AASB 10, there is only one basis for consolidation, that is control. In addition, AASB 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in AASB 10 to deal with complex scenarios.

AASB 11 replaces AASB 131 'Interests in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Interpretation 113 'Jointly Controlled Entities – Non-monetary Contributions by Venturers' has been withdrawn upon the issuance of AASB 11. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportionate consolidation.

AASB 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards.

AASB 2011-7 contains consequential amendments to a range of Australian Accounting Standards and Interpretations in light of the issuance of the five Standards above.

2. Application of new and revised Accounting Standards (cont.)

These six standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these six standards are applied early at the same time. The directors anticipate that these six standards will be adopted in the Group's consolidated financial statements for the annual period ending 30 June 2014. Based on the Group's current structure, the application of these six standards is not expected to have significant impact on amounts reported in the consolidated financial statements. It is anticipated application of AASB 12 may result in more extensive disclosures in the financial statements.

AASB 13

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of AASB 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other Australian Accounting Standards require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in AASB 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under AASB 7 'Financial Instruments: Disclosures' will be extended by AASB 13 to cover all assets and liabilities within its scope. AASB 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that AASB 13 will be adopted in the Group's consolidated financial statements for the annual period ending 30 June 2014 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to AASB 101

The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to AASB 101 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements includes the separate financial statements of the Company and the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the 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 30 August 2012.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

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

3.3 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 income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even

if this results in the non-controlling interests having a deficit balance. 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Significant accounting policies (cont.)

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The policy described above is applied to all business combinations that take place on or after 1 July 2009.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

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.

Fee and commission income

Fee and commission income is recognised when the related service has been performed. In relation to corpus commission a percentage of revenue is recognised on completion of each stage of the estate administration starting with the grant of probate and ending with the finalisation of the estate.

Dividend and interest revenue

Dividend and interest revenue are recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

3.7 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. 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.

3.8 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 short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits 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 reporting date.

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

3.9 Share-based payments

Equity-settled share-based payments to 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, with a corresponding increase in equity. At the end of each reporting period, 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 such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2003 and vested after 1 January 2006. No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

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.

3.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant accounting policies (cont.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

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 and the other members are identified in note 32. 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 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 each member of the tax-consolidated 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.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. The Company and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. 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 the tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Investment in tax consolidated group

Under Australian tax law, the taxable profit made by a tax-consolidated group in relation to an entity leaving the Group depends on a range of factors, including the tax values and/or carrying values of assets and liabilities of the leaving entity, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on any disposal of the investments within the tax-consolidated group will therefore depend upon when each entity leaves the tax-consolidated group and the assets and liabilities that the leaving entity holds at that time.

Because the consolidated entity has no current intention to dispose of any subsidiaries within the Group, a deferred tax liability has not been recognised in relation to investments within the tax-consolidated group. Furthermore, temporary differences that might arise on disposal of the entities in the tax-consolidated group cannot be reliably measured because of their inherent uncertainties surrounding the nature of any future disposal that might occur.

3.11 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.

3.12 Plant, equipment and leasehold improvements

Plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on plant and equipment is recognised so as to write off the cost or valuation of the assets less their residual values over their useful lives using the straight line method. Leasehold improvements are 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.

An item of plant, equipment or leasehold improvement is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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	1 – 15 years
Leasehold improvements	3 – 6 years

3.13 Intangible assets

Intangible assets acquired separately
Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation (if finite life intangible) and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Management rights
Management rights relating to the EquitySuper Master Trust business and the Apex business (acquired in 2011 and transferred into the EquitySuper Master Trust 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 3.14). Management rights relating to the Freedom of Choice, Equity Superannuation Management, Holdfast Fund Services and Aged Care (refer note 33) 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 – 10 years
Management rights	5 – 12 years
Makegood asset	5 years

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3.14 Impairment of tangible and intangible assets other than goodwill

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 it is not possible to estimate the recoverable amount of an individual asset, 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.

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

3. Significant accounting policies (cont.)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 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 (where the effect of the time value of money is material). 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.

3.16 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.17 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, '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. The Group does not have any financial assets classified as at 'fair value through profit or loss' or 'held-to-maturity'. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Available-for-sale financial assets

Australian listed 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 in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

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, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when 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 equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. 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, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative

3. Significant accounting policies (cont.)

gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated fair value through the profit and loss, are 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 AASB 118 Revenue.

Other financial liabilities

The financial liabilities of the Group are classified as other financial liabilities. There are no financial liabilities classified as fair value through the profit and loss. 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, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.19 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- 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
- 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are 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.

The following are the critical judgements and key sources of estimation uncertainty used in the preparation of the financial statements that have a significant impact on the amounts recognised in the financial statement or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Employee entitlements

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.

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 $9,432,878 and $29,298,889 for the management rights at 30 June 2012 (2011: $8,272,592 goodwill and $29,202,243 management rights). No impairment has been identified (30 June 2011: 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 plant, equipment and leasehold improvements

As described in note 3.12, 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.

Provisions

As referred to in note 3.15, the amounts included in provisions represents the directors' best estimate of the future outflow of economic benefits that will be required to settle identified outstanding issues.

5. Discontinued operations

The Group did not have any discontinued operations (2011: nil).

6. Revenue

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
An analysis of the Group's revenue for the year is as follows:				
Revenue from service activities	42,608,751	38,558,142	28,707,119	27,427,387
Interest revenue:				
-Bank deposits	211,841	193,916	182,551	159,204
-Investments	918	99,964	918	99,964
Dividends from non-related companies	139,648	316,000	139,648	316,000
Dividends from wholly owned companies	-	-	6,000,000	3,000,000
Gain on sale of available-for-sale investments	625,583	636,526	625,583	636,526
Other revenue	60,000	60,000	-	-
	1,037,990	1,306,406	6,948,700	4,211,694
Total revenue	**43,646,741**	**39,864,548**	**35,655,819**	**31,639,081**
The following is an analysis of investment revenue earned on financial assets by category of asset:				
Available-for-sale financial assets	765,231	952,526	765,231	952,526
Loans and receivables (including cash and bank balances)	212,759	293,880	183,469	259,168
Total investment income for financial assets not designated as at fair value through the profit and loss	**977,990**	**1,246,406**	**948,700**	**1,211,694**

7. Finance cost

Neither the Group nor the Company have any borrowings. The finance cost for the year is nil (2011: nil).

8. Profit for the year

There is a loss of $3,735 attributable to non-controlling interests (2011: nil).

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Profit for the year has been arrived at after crediting/(charging) the following gains and (losses):				
Gain from disposal of available-for-sale investments	625,583	636,526	625,583	636,526
Gain/(loss) on disposal of property, plant and equipment	(1,177)	(57,964)	1,740	(14,330)
	624,406	**578,562**	**627,323**	**622,196**
Profit for the year includes the following expenses:				
Depreciation and amortisation:				
Depreciation of non-current assets	407,676	469,056	350,558	324,354
Amortisation of non-current assets	732,044	443,725	659,894	384,016
	1,139,720	912,781	1,010,452	708,370
Amortisation of management rights	235,307	197,271	-	-
Reversal of impairment of financial instrument	(70,090)	-	(70,090)	-
	1,304,937	1,110,052	940,362	708,370
Operating lease rental expenses:				
Minimum lease payments	1,173,780	1,177,681	829,900	813,671
Employee benefit expense:				
Post employment benefits:				
- Superannuation contributions	1,707,209	1,405,778	1,021,820	903,741
Share-based payments:				
- Equity-settled share-based payments	330,515	78,805	330,515	78,805
Other employee benefits	20,461,427	17,341,933	14,572,391	12,638,804
	22,499,151	**18,826,516**	**15,924,726**	**13,621,350**

9. Income taxes

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Income tax expense comprises:				
Current income tax expense	3,167,605	3,396,100	1,959,360	2,205,933
Prior year tax adjustments recognised in the current year	(40,863)	9,875	278,858	10,299
Deferred tax expense relating to the origination and reversal of temporary differences	(3,816)	(335,895)	(44,441)	(257,671)
Deferred tax reclassified from equity to profit or loss	186,888	184,833	186,888	184,833
Total income tax expense	**3,309,814**	**3,254,913**	**2,380,665**	**2,143,394**
The income tax expense for the year can be reconciled to accounting profit as follows:				
Profit before tax from continuing operations	11,690,927	11,483,725	12,822,440	11,041,239
Income tax expense calculated at 30%	3,507,277	3,445,117	3,846,732	3,312,372
Non-deductible expenses	177,656	165,257	75,903	86,059
Non-assessable income	(313,428)	(319,553)	(1,800,000)	(1,219,553)
Franked dividends	(20,828)	(45,783)	(20,828)	(45,783)
	3,350,677	3,245,038	2,101,807	2,133,095
Prior year tax adjustments	(40,863)	9,875	278,858	10,299
	3,309,814	**3,254,913**	**2,380,665**	**2,143,394**

The tax rate used in the above 2012 and 2011 reconciliations 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	
	2012 $	2011 $	2012 $	2011 $
Income tax expense/(credit) recognised directly in equity:				
Current tax:				
Share issue expenses deductible over 5 years	(12,352)	(10,070)	(12,352)	(10,070)
Deferred tax:				
Arising on transactions with equity participants:				
Share issue expenses deductible over 5 years	(16,084)	6,159	(16,084)	6,159
Total income tax recognised directly in equity	(28,436)	(3,911)	(28,436)	(3,911)
Income tax expense/(credit) recognised in other comprehensive income:				
Deferred tax:				
(Increase)/decrease revaluation of available-for-sale investments	(180,830)	218,407	(180,830)	218,407
Reclassification from equity to profit and loss:				
Realised gain on sale of available-for-sale investments	(186,888)	(184,833)	(186,888)	(184,833)
	(367,718)	33,574	(367,718)	33,574
Current tax liabilities:				
Income tax payable	540,331	1,312,219	540,331	1,312,219
Deferred tax balances are presented in the statement of financial position as follows:				
Deferred tax asset	1,623,706	1,584,613	1,266,270	1,296,098
Deferred tax liability - investment revaluation	185,796	553,514	185,796	553,514

	Consolidated			
	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
2012				
Gross deferred tax assets:				
Provisions	1,472,837	158,619	-	1,631,456
Expenditure deductible over 5 years	59,274	(25,859)	16,084	49,499
Property, plant and equipment	142,496	5,446	-	147,942
Intangible assets	(89,994)	(115,197)	-	(205,191)
	1,584,613	**23,009**	**16,084**	**1,623,706**
Gross deferred tax liabilities:				
Available-for-sale investments	**(553,514)**	**186,888**	**180,830**	**(185,796)**
2011				
Gross deferred tax assets:				
Provisions	1,102,680	370,157	-	1,472,837
Expenditure deductible over 5 years	71,516	(6,083)	(6,159)	59,274
Property, plant and equipment	359,487	(216,991)	-	142,496
Intangible assets	(312,444)	222,450	-	(89,994)
	1,221,239	**369,533**	**(6,159)**	**1,584,613**
Gross deferred tax liabilities:				
Available-for-sale investments	**(519,940)**	**184,833**	**(218,407)**	**(553,514)**

9. Income taxes (cont.)

	Company			
	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
2012				
Gross deferred tax assets:				
Provisions	1,250,901	98,081	-	1,348,982
Expenditure deductible over 5 years	59,274	(25,859)	16,084	49,499
Property, plant and equipment	67,303	1,793	-	69,096
Intangible assets	(81,380)	(119,927)	-	(201,307)
	1,296,098	**(45,912)**	**16,084**	**1,266,270**
Gross deferred tax liabilities:				
Available-for-sale investments	**(553,514)**	**186,888**	**180,830**	**(185,796)**
2011				
Gross deferred tax assets:				
Provisions	957,900	293,001	-	1,250,901
Expenditure deductible over 5 years	71,516	(6,083)	(6,159)	59,274
Property, plant and equipment	306,327	(239,024)	-	67,303
Intangible assets	(292,850)	211,470	-	(81,380)
	1,042,893	**259,364**	**(6,159)**	**1,296,098**
Gross deferred tax liabilities:				
Available-for-sale investments	**(519,940)**	**184,833**	**(218,407)**	**(553,514)**

The Group has no unrecognised deferred tax balances.

Tax consolidation

For information regarding tax consolidation, tax funding and tax sharing arrangements refer to note 3.10.

10. Key management personnel remuneration

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
The aggregate compensation made to key management personnel of the Company and the Group is set out below:				
Short term employee benefits	3,206,857	2,673,255	2,967,791	2,434,059
Post employment benefits (Superannuation)	334,557	284,869	285,779	231,412
Other long term benefits	100,532	71,487	87,501	62,994
Share awards	137,559	142,638	137,559	142,638
	3,779,505	**3,172,249**	**3,478,630**	**2,871,103**

Full details of the remuneration of key management personnel for the year ended 30 June 2012 are outlined in the Directors' Report.

The share awards of key management personnel for the year ended 30 June 2012 are outlined in the Directors' Report.

Excluded from the above remuneration is a payment of $93,068 (2011:$50,897) paid to a retired director in accordance with the directors' retiring allowance scheme, as outlined in note 3.8 and the Remuneration report.

11. Auditor's remuneration

	Consolidated		Company	
Auditor – Deloitte Touche Tohmatsu	2012 $	2011 $	2012 $	2011 $
Corporate entities				
Audit & Assurance Services				
Audit and review of the consolidated financial statements	230,947	226,162	195,173	191,430
Audit services in accordance with regulatory requirements	70,820	68,757	49,457	48,016
	301,767	**294,919**	**244,630**	**239,446**
Other services				
Tax compliance services in respect of Group corporate entities	29,991	233,000	29,991	233,000
Other services	20,550	42,075	20,550	7,000
Total remuneration for corporate entities	**352,308**	**569,994**	**295,171**	**479,446**
Managed funds and superannuation funds				
Audit & Assurance Services				
Audit and review of managed and superannuation funds	957,626	877,057	824,802	705,416
Audit services in accordance with regulatory requirements	291,339	277,773	241,384	221,514
	1,248,965	**1,154,830**	**1,066,186**	**926,930**
Other services				
Taxation compliance services and review of constitutions, disclosure documents and tax returns for the Group's managed funds	553,400	468,980	536,425	434,000
Total remuneration for managed funds and superannuation funds	**1,802,365**	**1,623,810**	**1,602,611**	**1,360,930**

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.

The above fees for managed funds and superannuation funds were paid by the individual managed funds and superannuation funds.

12. Current trade and other receivables

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Trade receivables	3,085,021	2,070,006	2,724,302	1,790,774
Allowance for doubtful debts	(46,354)	(10,747)	(46,354)	(10,747)
Other	1,832,199	1,856,685	2,217,640	2,215,569
	4,870,866	**3,915,944**	**4,895,588**	**3,995,596**

The trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

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) 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 $805,202 (2011: $731,522) 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 Securities 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	2012 $	2011 $	2012 $	2011 $
Under 30 days	486,999	628,530	263,454	349,298
30 - 60 days	149,670	78,909	114,360	78,909
Over 60 days	168,533	24,083	111,274	24,083
	805,202	**731,522**	**489,088**	**452,290**

	Consolidated		Company	
Movement in the allowance for doubtful debts	2012 $	2011 $	2012 $	2011 $
Balance at beginning of the year	(10,747)	(10,646)	(10,747)	(10,646)
Impairment losses recognised on trade receivables	(45,231)	(3,099)	(45,231)	(3,099)
Amounts written off as uncollectible	7,122	500	7,122	500
Impairment losses reversed	2,502	2,498	2,502	2,498
Balance at end of year	**(46,354)**	**(10,747)**	**(46,354)**	**(10,747)**

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.

13. Other current assets

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Prepayments	683,184	523,700	593,285	464,499
Accrued income	2,037,204	2,230,051	1,772,446	2,034,582
	2,720,388	**2,753,751**	**2,365,731**	**2,499,081**

14. Non-current trade and other receivables

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Corpus commission earned but not collected	108,186	108,186	108,186	108,186

15. Other non-current financial assets

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Investment in subsidiaries at cost:				
Shares in subsidiaries	-	-	4,188,735	4,188,733
Available-for-sale investments carried at fair value:				
Australian equities and managed investments schemes	2,855,198	4,870,526	2,855,198	4,870,526
Loans carried at amortised cost:				
Intercompany loans	-	-	29,484,866	26,626,175
Total	**2,855,198**	**4,870,526**	**36,528,799**	**35,685,434**

The intercompany loans are non-interest bearing.

16. Property, plant and equipment

	Consolidated			
Gross carrying amount	Computer & telecom equipment at cost $	Leasehold improve-ments at cost $	Office furniture & equipment at cost $	Total $
Balance at 1 July 2010	1,738,278	918,484	519,047	3,175,809
Additions	296,048	-	189,043	485,091
Disposals	(262,111)	(685)	(149,258)	(412,054)
Balance at 1 July 2011	1,772,215	917,799	558,832	3,248,846
Additions	168,735	41,950	125,025	335,710
Disposals	(52,345)	-	(2,495)	(54,840)
Balance at 30 June 2012	1,888,605	959,749	681,362	3,529,716
Accumulated depreciation/amortisation and impairment				
Balance at 1 July 2010	905,388	809,335	369,812	2,084,535
Disposals	(247,725)	(685)	(41,657)	(290,067)
Depreciation expense	315,963	66,112	86,981	469,056
Balance at 1 July 2011	973,626	874,762	415,136	2,263,524
Disposals	(48,972)	-	(2,495)	(51,467)
Depreciation expense	329,792	21,725	56,159	407,676
Balance at 30 June 2012	1,254,446	896,487	468,800	2,619,733
Net book value				
As at 30 June 2011	798,589	43,037	143,696	985,322
As at 30 June 2012	**634,159**	**63,262**	**212,562**	**909,983**

	Company			
Gross carrying amount	Computer & telecom equipment at cost $	Leasehold improve-ments at cost $	Office furniture & equipment at cost $	Total $
Balance at 1 July 2010	1,525,440	639,384	315,143	2,479,967
Additions	288,664	-	20,220	308,884
Disposals	(246,213)	(685)	(19,296)	(266,194)
Balance at 1 July 2011	1,567,891	638,699	316,067	2,522,657
Additions	146,134	29,751	107,642	283,527
Disposals	(37,279)	-	(2,495)	(39,774)
Balance at 30 June 2012	1,676,746	668,450	421,214	2,766,410
Accumulated depreciation/amortisation and impairment				
Balance at 1 July 2010	751,721	591,218	238,616	1,581,555
Disposals	(233,753)	(685)	(18,447)	(252,885)
Depreciation expense	288,833	10,368	25,153	324,354
Balance at 1 July 2011	806,801	600,901	245,322	1,653,024
Disposals	(37,232)	-	(2,495)	(39,727)
Depreciation expense	303,659	14,030	32,869	350,558
Balance at 30 June 2012	1,073,228	614,931	275,696	1,963,855
Net book value				
As at 30 June 2011	761,090	37,798	70,745	869,633
As at 30 June 2012	**603,518**	**53,519**	**145,518**	**802,555**

	Consolidated		Company	
Aggregate depreciation recognised as an expense during the year:	2012 $	2011 $	2012 $	2011 $
Computer & telecom equipment	329,792	315,963	303,659	288,833
Leasehold improvements	21,725	66,112	14,030	10,368
Office furniture and equipment	56,159	86,981	32,869	25,153
	407,676	**469,056**	**350,558**	**324,354**

No depreciation was capitalised.

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

17. Intangible assets

	Consolidated			
Gross carrying amount	Computer software $	Leasehold makegood $	Management rights $	Total $
Balance at 1 July 2010	4,279,114	100,000	19,689,608	24,068,722
Additions	1,195,281	24,000	10,250,000	11,469,281
Disposals	(7,386)	-	-	(7,386)
Balance at 1 July 2011	5,467,009	124,000	29,939,608	35,530,617
Additions	564,560	-	331,953	896,513
Disposals	(26,062)	-	-	(26,062)
Balance at 30 June 2012	6,005,507	124,000	30,271,561	36,401,068
Accumulated amortisation and impairment				
Balance at 1 July 2010	1,143,058	80,000	540,094	1,763,152
Amortisation expense	426,176	17,549	197,271	640,996
Disposals	(7,386)	-	-	(7,386)
Balance at 1 July 2011	1,561,848	97,549	737,365	2,396,762
Amortisation expense	726,754	5,290	235,307	967,351
Disposals	(26,062)	-	-	(26,062)
Balance at 30 June 2012	2,262,540	102,839	972,672	3,338,051
Net book value				
As at 30 June 2011	3,905,161	26,451	29,202,243	33,133,855
As at 30 June 2012	**3,742,967**	**21,161**	**29,298,889**	**33,063,017**

17. Intangible assets (cont.)

	Company			
Gross carrying amount	Computer software $	Leasehold makegood $	Management rights $	Total $
Balance at 1 July 2010	4,103,317	-	-	4,103,317
Additions	1,051,947	-	-	1,051,947
Disposals	(7,386)	-	-	(7,386)
Balance at 1 July 2011	5,147,878	-	-	5,147,878
Additions	555,335	-	-	555,335
Disposals	(26,062)	-	-	(26,062)
Balance at 30 June 2012	5,677,151	-	-	5,677,151
Accumulated amortisation and impairment				
Balance at 1 July 2010	1,049,019	-	-	1,049,019
Amortisation expense	384,016	-	-	384,016
Disposals	(7,386)	-	-	(7,386)
Balance at 1 July 2011	1,425,649	-	-	1,425,649
Amortisation expense	659,894	-	-	659,894
Disposals	(26,062)	-	-	(26,062)
Balance at 30 June 2012	2,059,481	-	-	2,059,481
Net book value				
As at 30 June 2011	3,722,229	-	-	3,722,229
As at 30 June 2012	**3,617,670**	**-**	**-**	**3,617,670**

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 EquitySuper Master Trust and Apex Superannuation management rights have an indefinite life and the other management rights have finite lives.

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
EquitySuper Master Trust	17,937,616	17,937,616	-	-
Apex Superannuation	10,250,000	10,250,000	-	-
Freedom of Choice	589,097	674,537	-	-
Equity Superannuation Management Pty Limited	125,766	165,483	-	-
Holdfast Fund Services Pty Limited	102,493	174,607	-	-
Aged Care	293,917	-	-	-
	29,298,889	**29,202,243**	**-**	**-**

The indefinite life management rights (EquitySuper and Apex) 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 $28,187,616.

Details of the ETSL Group cash-generating unit, the value-in-use calculation of the recoverable amount and key assumptions are contained in note 18.

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.

18. Goodwill

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Cost	8,272,592	8,272,592	-	-
Accumulated impairment losses	-	-	-	-
	8,272,592	8,272,592	-	-
Balance at beginning of the financial year	8,272,592	8,230,331	-	-
Amounts recognised from business combinations occurring during the year	1,160,286	42,261	-	-
Balance at end of the financial year	**9,432,878**	**8,272,592**	**-**	**-**

There are no accumulated impairment losses (2011: nil).

During the financial year the Group assessed the recoverable amount of goodwill and determined that no impairment had occurred (2011: 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)
- Corporate Fiduciary and Financial Services (CFFS)
- Wealth Management and Administration Services (WS)

The carrying amounts of goodwill allocated to ETSL Group, CFFS and WS 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	
	2012 $	2011 $
ETSL Group	4,592,849	4,592,849
CFFS	3,679,743	3,679,743
WS	1,160,286	-
	9,432,878	**8,272,592**

Group 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), four non-trading subsidiaries and Simple Wrap Pty Ltd. 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.

Corporate Fiduciary and Financial Services (CFFS)
The recoverable amount of the CFFS operating 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 the recoverable amount is based woul.d not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CFFS operating 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.

18. Goodwill (cont.)

Wealth Management and Administration Services (WS)

The goodwill relating to the Aged Care Services business (refer note 33) has been allocated to the WS operating segment due to synergistic benefits between the WS operating segment and Aged Care Services business (which is part of that operating segment). The recoverable amount of the WS operating 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 the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the WS operating segment.

The key assumptions used in the value-in-use calculations are the growth in rate of funds under management and growth in ongoing services revenue, growth in one-off advisory services and expense growth rate.

19. Current trade and other payables

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Trade payables	318,703	160,981	260,980	74,185
Goods and services tax payable	303,581	198,748	197,216	92,833
	622,284	**359,729**	**458,196**	**167,018**

The Group's policy regarding trade payables is to pay all invoices by the due date. No interest charges have been incurred on trade payables.

20. Current provisions

	Consolidated				
	Claims $	Equity Trustees Foundation donation $	Employee Benefits (note 24) $	Other $	Total $
Balance at 1 July 2011	136,240	110,000	2,112,429	337,416	2,696,085
Additional provisions recognised	-	-	-	298,862	298,862
Decrease arising from payments	(136,240)	-	-	(302,416)	(438,656)
Decrease arising from re-measurement or settlement without cost	-	(110,000)	-	(35,000)	(145,000)
Other movements	-	-	331,463	-	331,463
Balance at 30 June 2012	**-**	**-**	**2,443,892**	**298,862**	**2,742,754**

	Company				
	Claims $	Equity Trustees Foundation donation $	Employee Benefits (note 24) $	Other $	Total $
Balance at 1 July 2011	136,240	110,000	1,643,808	334,416	2,224,464
Additional provision recognised	-	-	-	285,862	285,862
Decrease arising from payments	(136,240)	-	-	(299,416)	(435,656)
Decrease arising from re-measurement or settlement without cost	-	(110,000)	-	(35,000)	(145,000)
Other movements	-	-	94,674	-	94,674
Balance at 30 June 2012	**-**	**-**	**1,738,482**	**285,862**	**2,024,344**

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

21. Other current liabilities

	Consolidated		Company	
At amortised cost:	2012 $	2011 $	2012 $	2011 $
Corpus commission collected but not earned	61,139	26,064	61,139	26,064
Other	35,818	23,717	27,524	23,717
	96,957	**49,781**	**88,663**	**49,781**

22. Non-current provisions

	Consolidated		
	Makegood $	Employee Benefits (note 24) $	Total $
Balance at 1 July 2011	124,000	967,757	1,091,757
Additional provision recognised	2,500	-	2,500
Other movements	-	289,696	289,696
Balance at 30 June 2012	**126,500**	**1,257,453**	**1,383,953**

	Company		
	Makegood $	Employee Benefits (note 24) $	Total $
Balance at 1 July 2011	-	740,410	740,410
Other movements	-	227,361	227,361
Balance at 30 June 2012	**-**	**967,771**	**967,771**

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.

23. Other non-current liabilities

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Amounts owing to controlled entity	-	-	100,010	100,010
Lease related liabilities	399,406	345,670	399,406	345,670
Corpus commission collected but not earned	34,995	34,995	34,995	34,995
	434,401	**380,665**	**534,411**	**480,675**

24. Employee benefits

	Consolidated		Company	
The aggregate employee benefits liability recognised and included in the financial statements is as follows:	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Provision for employee benefits:				
Current (note 20)				
- Annual leave	1,002,362	745,051	642,746	510,927
- Long service leave	101,875	36,651	44,004	27,154
- Bonus	1,339,655	1,238,980	1,051,732	1,013,980
- Directors' retiring allowance	-	91,747	-	91,747
	2,443,892	2,112,429	1,738,482	1,643,808
Non-current (note 22)				
- Long service leave	1,073,435	803,507	783,753	576,160
- Directors' retiring allowance	184,018	164,250	184,018	164,250
	1,257,453	967,757	967,771	740,410
	3,701,345	**3,080,186**	**2,706,253**	**2,384,218**

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.

25. Issued capital

	Consolidated		Company	
	2012 $	**2011 $**	**2012 $**	**2011 $**
8,907,676 fully paid ordinary shares (2011: 8,566,384)	47,481,389	43,489,257	47,481,389	43,489,257

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.

	2012		2011	
Fully paid ordinary shares	**No.**	**$**	**No.**	**$**
Balance at beginning of financial year	8,566,384	43,489,257	8,398,724	40,955,514
Shares issued under employee share scheme	-	-	8,556	136,896
Shares issued under employee salary sacrifice	3,608	45,988	1,289	20,553
Shares issued under share placement	202,445	2,421,242	-	-
Shares issued under dividend reinvestment plan (DRP)	135,239	1,591,253	157,815	2,385,422
Share issue costs net of tax	-	(66,351)	-	(9,128)
Balance at end of financial year	**8,907,676**	**47,481,389**	**8,566,384**	**43,489,257**

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 2012, eligible executives have share entitlements over 118,392 ordinary shares (2011: 101,480), in aggregate. Further details of the Plan are contained in the remuneration report within the Directors' Report.

26. Other reserves

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Employee equity-settled benefits reserve	846,017	515,502	846,017	515,502

The movements in the above reserve account is shown in the statement of changes in equity.

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 on-going basis as deemed appropriate. There is $183,000 provided for ESAP in 2012 (2011: Nil).

27. 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 3.17). 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.

28. Earnings per share

	Consolidated	
	2012 Cents per share	2011 Cents per share
Basic earnings per share	96.74	97.01
Diluted earnings per share	95.99	96.34

Basic earnings per share	Consolidated	
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	2012 $	2011 $
Earnings	8,381,113	8,228,812
	2012 No.	2011 No.
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,663,014	8,482,765

Diluted earnings per share	Consolidated	
The earnings and weighted average number of ordinary shares used in in the calculation of diluted earnings per share are as follows:	2012 $	2011 $
Earnings	8,381,113	8,228,812
	2012 No.	2011 No.
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,731,442	8,541,706

There were no discontinued operations (2011: nil).

28. Earnings per share (cont.)

	Consolidated	
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:	2012 No.	2011 No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	8,663,014	8,482,765
Shares deemed to be issued for no consideration in respect of employee share entitlements	68,428	58,941
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	8,731,442	8,541,706

There have been no changes in accounting policies that have had an impact on earnings per share.

29. Dividends

	2012		2011	
	Cents per share	$	Cents per share	$
Recognised amounts				
Fully paid ordinary shares				
Interim dividend: Fully franked (Prior year: Fully franked)	40	3,447,455	50	4,246,920
Final dividend: Fully franked (Prior year: Fully franked)	50	4,283,738	60	5,044,368
		7,731,193		**9,291,288**
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend: Fully franked (Prior year: Fully franked)	45	4,008,888	50	4,283,738

	Company	
	2012 $	2011 $
Franking account balance at 1 July	6,384,003	7,172,628
Tax paid	4,071,694	3,127,950
Franking credits received	55,399	65,405
Other	35,017	-
Franking credits attached to interim and final dividends	(3,313,368)	(3,981,980)
Franking account balance at 30 June	**7,232,745**	**6,384,003**
Franking credits that will arise from income tax payable at reporting date	540,331	1,312,219
Franking credits that will arise from receipt of dividends recognised as receivables at reporting date	2,460	4,560
Franking credits to be attached to dividends declared but not recognised	(1,718,095)	(1,835,888)
Adjusted franking account balance	**6,057,441**	**5,864,894**

30. Commitments for expenditure

	Consolidated		Company	
Capital expenditure commitments	2012 $	2011 $	2012 $	2011 $
Intangible Assets				
Not longer than 1 year	60,000	25,000	60,000	25,000
1 to 5 years	-	-	-	-
	60,000	**25,000**	**60,000**	**25,000**
Plant and equipment				
Not longer than 1 year	230,000	-	230,000	-

Operating lease commitments

The Group has operating leases relating to leases of office premises with lease terms of between one and five years. The leases are subject to annual rent reviews.

The Group has a printer lease with an expiry date of 30 April 2015 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.

30. Commitments for expenditure cont

	Consolidated		Company	
Non-cancellable operating lease payments	2012 $	2011 $	2012 $	2011 $
Not longer than 1 year	1,327,752	1,251,100	880,779	916,426
Longer than 1 year and not longer than 5 years	3,393,491	4,577,277	2,188,595	3,099,249
	4,721,243	**5,828,377**	**3,069,374**	**4,015,675**

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

	Consolidated		Company	
Lease incentives	2012 $	2011 $	2012 $	2011 $
Current	115,342	104,084	115,342	104,084
Non-current	284,064	359,461	284,064	359,461
	399,406	**463,545**	**399,406**	**463,545**

The Group has no onerous lease contracts.

There are no non-cancellable operating sub-leases (2011: no non-cancellable operating sub-lease).

31. 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. This position is unchanged from 30 June 2011.

There are no contingent assets (2011: nil).

32. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2012	2011
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%
Equity Superannuation Administration 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%
Apex Super Limited	Australia	100%	100%
EQT Aged Care Services Pty Ltd	Australia	100%	100%
Simple Wrap Pty Ltd (formerly Simple Wrap Superannuation Pty Ltd)	Australia	75%	75%

32. Subsidiaries (cont.)

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

All subsidiaries except for Simple Wrap Pty Ltd are members of the tax-consolidated group.

Simple Wrap Pty Ltd was formed on 20 May 2011 and the Group owns 75% of the shares.

Refer to note 33 for details regarding subsidiaries acquired during the year.

33. Business combinations

Acquisition of businesses

Year ended 30 June 2012

Effective 1 August 2011, the Group acquired 100% of an advisory business specialising in the aged care sector (Aged Care business). This business trades under the names Lifetime Planning, Tender Living Care and Aged Care Pathways.

Year ended 30 June 2011

On 1 November 2010, the Group acquired a 100% interest in Equity Superannuation Administration Pty Ltd (formerly OAMPS Superannuation Management Pty Ltd) and Apex Super Limited (formerly OAMPS Superannuation Ltd) (the ESA companies).

These companies acted as administrator and trustee respectively for a superannuation master fund prior to the completion of the successor fund transfer in May 2011.

Consideration	2012 $	2011 $
Cash	1,384,589	10,782,509

Acquisition-related costs amounting to $65,960 have been excluded from the consideration transferred and have been recognised as an expense in the period in the income statement (2011: $206,158).

Assets acquired and liabilities assumed at the date of acquisition	2012 $	2011 $
Current assets	-	166,303
Cash and cash equivalents		
Trade and other receivables	-	211,784
Other current assets	10,306	25,680
Non-current assets		
Property, plant and equipment	7,761	129,961
Intangible assets	331,953	10,250,000
Deferred tax assets	20,664	31,945
Current liabilities		
Trade and other payables	-	(33,199)
Employee entitlements	(131,241)	(42,226)
Non-current liabilities		
Provisions	(2,500)	-
Employee entitlements	(12,640)	-
	224,303	**10,740,248**

No trade receivables were acquired (2011: Trade receivables acquired with a fair value of $211,784 had gross contractual amounts of $211,784. The best estimate at acquisition date of the contractual cashflows not expected to be collected is nil.)

Goodwill arising on acquisition	2012 $	2011 $
Consideration	1,384,589	10,782,509
Less fair value of identifiable net assets acquired	(224,303)	(10,740,248)
Goodwill arising on acquisition	**1,160,286**	**42,261**

Goodwill arose in relation to the acquisition of the Aged Care business (2011: ESA companies) because the acquisition results in synergies that cannot be separately recognised from goodwill as they are not capable of being separated. None of the goodwill arising in relation to this acquisition is expected to be tax deductible.

Net cash outflow arising on acquisition	2012 $	2012 $
Consideration paid in cash	1,384,589	10,782,509
less cash and cash equivalent balances acquired	-	(166,303)
	1,384,589	**10,616,206**

Impact of acquisition on the results of the Group

The directors of the Group consider that providing profit figures for the Aged Care business would not be in the best interests of the Group as this information is commercially sensitive. Therefore, no disclosure has been made (2011: no disclosure).

The directors of the Group consider that providing proforma numbers representing an approximate measure of the performance of the combined Group on an annualised basis would not be in the best interests of the Group as this information is commercially sensitive. Therefore, no disclosure has been made (2011: no disclosure).

34. Non-controlling interests

	Consolidated	
	2012 $	2011 $
Balance at beginning of the year	25	-
Non-controlling interest arising on issue of shares to minority	-	25
Share of profit/(loss) for the year	(3,735)	-
Balance at end of year	**(3,710)**	**25**

35. Segment information

Information reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of performance is focused on the categories of services provided to customers. The principal categories of services are Private Wealth Services and Corporate Fiduciary and Financial Services. The Group's reportable segments under AASB 8 are as follows:

Private Wealth Services

The provision of personal financial and superannuation services, including wealth management, trust management, estate planning, executorial, taxation, philanthropic services, and superannuation trustee and administration services via a 'fund of funds' Master Trust.

35. Segment information (cont.)

Corporate Fiduciary and Financial Services

A range of services to Australian managed investment schemes and corporate trusts including management, facilitation of distribution, responsible entity and trustees roles, compliance and risk management.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment. There were no discontinued operations (2011: nil).

	Consolidated	
Segment revenue	2012 $	2011 $
Private Wealth Services	23,508,235	20,549,412
Corporate Fiduciary and Financial Services	18,282,299	17,187,341
	41,790,534	37,736,753
Unallocated	1,856,207	2,127,795
Total revenue per income statement	**43,646,741**	**39,864,548**

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales (2011: nil). No single customer accounts for 10% or more of the Group's revenue.

	Consolidated	
Segment net profit before tax	2012 $	2011 $
Private Wealth Services	6,516,501	5,508,478
Corporate Fiduciary and Financial Services	9,817,687	9,484,535
	16,334,188	14,993,013
Unallocated	(4,643,261)	(3,509,288)
Total net profit before tax per income statement	**11,690,927**	**11,483,725**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the contribution earned by each segment without the allocation of central administration or support business unit costs, investment portfolio income, or income tax. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

	Consolidated	
Revenue by product and service	2012 $	2011 $
Private Wealth Management and Administration Services	10,629,060	9,323,947
Superannuation	12,879,175	11,225,465
Corporate Fiduciary and Financial Services	18,282,299	17,187,341
	41,790,534	**37,736,753**

For the purpose of monitoring performance the chief operating decision maker reviews balance sheet items for the Group as a whole. The Group's assets and liabilities are not allocated to the reportable segments for management reporting purposes.

Geographic segment

The Group operates only in Australia which is treated as one geographic segment.

36. Related party disclosures

Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 32 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 10 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 2012 (2011: 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 July 2011	Net change	Balance at 30 June 2012
2012	No.	No.	No.
Directors			
D F Groves	597,190	20,710	617,900
J R McConnell (retired 28 October 2011)	20,097	n/a	n/a
J G Kennett	16,119	1,738	17,857
J A Killen	7,107	473	7,580
R B O Burns	1,000	-	1,000
A J M Williams	381	30	411
A M O'Donnell	339	301	640
K J Eley (appointed 25 November 2011)	-	20,226	20,226
Key management personnel			
T Ryan	15,643	1,232	16,875
P B Maddox	13,894	1,093	14,987
S R Manuell	12,925	144	13,069
H H Kalman	12,552	66	12,618
A D Young	1,162	-	1,162
L D Wraith	159	-	159

Consolidated	Balance at 1 July 10	Net change	Balance at 30 June 2011
2011	No.	No.	No.
Directors			
D F Groves	584,322	12,868	597,190
J R McConnell	19,916	181	20,097
J G Kennett	14,860	1,259	16,119
B J Jackson (retired on 29 October 2010)	10,500	n/a	n/a
J A Killen	6,692	415	7,107
R B O Burns	700	300	1,000
A J M Williams	354	27	381
A M O'Donnell	-	339	339
Key management personnel			
T Ryan	14,350	1,293	15,643
P B Maddox	12,872	1,022	13,894
S R Manuell	12,446	479	12,925
H H Kalman	21,155	(8,603)	12,552
A D Young	1,100	62	1,162
L D Wraith	97	62	159

36. Related party disclosures (cont.)

(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 shares 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.

Ms Williams is a director of Victorian Funds Management Corporation (VFMC) which, on behalf of VFMC clients, invests in various managed investment schemes, some of which have the Company as responsible entity. In her role as director of VFMC, Ms Williams is not actively involved in investment selections or the appointment of the Company as responsible entity to managed investment schemes in which VFMC invests.

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 (2011: nil).

Transactions with other related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Company had an interest free intercompany account with each of its controlled entities. The total amount 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 3.10.

Controlled entities act as trustee and administrator for the EquitySuper Master Trust (including Apex Super and Mutual Super sub-plans), the Public Eligible Rollover Fund, EquitySuper Pooled Superannuation Trust, and the Freedom of Choice Superannuation Masterfund from which they receive trustee and administration fees. These fees are contractually agreed with members.

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

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.

37. 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 consolidated statement of financial position as follows:

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Cash and cash equivalents	9,898,656	6,252,593	9,408,226	5,441,905

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

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Profit for the period	8,381,113	8,228,812	10,441,775	8,897,845
Income tax expense recognised in profit and loss	3,309,814	3,254,913	2,380,665	2,143,394
(Profit) / loss on sale of investments	(625,583)	(636,526)	(625,583)	(636,526)
Depreciation and amortisation of non-current assets	1,139,720	912,781	1,010,452	708,372
Impairment of financial instruments	(70,090)	-	(70,090)	-
Amortisation of management rights	235,307	197,271	-	-
(Profit) / loss on sale of plant and equipment	1,177	57,964	(1,740)	14,330
Equity-settled share-based payments	330,515	78,805	330,515	78,805
Interest income received and receivable	(212,759)	(293,880)	(183,469)	(259,168)
Dividends received and receivable	(139,648)	(316,000)	(6,139,648)	(3,316,000)
	12,349,566	11,484,140	7,142,877	7,631,052
Movements in working capital				
(Increase)/decrease in current receivables	351,133	504,820	435,497	675,908
(Increase)/decrease in other current assets	297,279	(970,947)	262,136	(836,688)
(Increase)/decrease in non-current receivables	(872,261)	(1,146,845)	(872,261)	(1,579,334)
(Increase)/decrease in other non-current assets	936,328	114,696	1,041,530	131,464
Increase /(decrease) in current payables	(1,883,946)	(76,469)	(94,956)	(64,754)
Increase /(decrease) in current provisions	506,259	1,067,598	997,498	2,007,568
Increase /(decrease) in other current liabilities	(842,277)	415,126	(842,277)	415,126
Increase /(decrease) in non-current provisions	(294,965)	119,258	(294,965)	119,258
Increase/(decrease) in non-current liabilities	1,439,999	161,621	-	-
Cash generated from operations	11,987,115	11,672,998	7,775,079	8,499,600
Income taxes paid	(4,071,694)	(3,127,950)	(4,071,694)	(3,127,950)
Net cash generated by operating activities	**7,915,421**	**8,545,048**	**3,703,385**	**5,371,650**

(c) Non-cash financing activities

Non-cash financing activities during the year were dividend reinvestments of $1,591,253 (2011:$2,385,422) and employee salary sacrifice share issues $45,988 (2011 $20,553).

(d) Business acquired

Effective 1 August 2011, the Group acquired 100% of an advisory business specialising in the aged care sector (Aged Care business). This business trades under the names Lifetime Planning, Tender Living Care and Aged Care Pathways. The amount paid was $1,384,589.

38. 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 (2011: nil).

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 Net Tangible Asset (NTA) requirements imposed by regulatory authorities.

The Group's overall strategy remains unchanged from 2011. The Group has met its NTA requirements throughout the 2012 year as well as throughout the 2011 year.

The capital structure consists only of equity (refer note 25 for details regarding equity instruments issued). The Group operates only in Australia and is subject to a requirement under its RSE licence to maintain NTA of $5m. There are no other externally imposed capital requirements (2011: nil).

Operating cashflows are used to maintain and expand the Group's financial services activities including providing funds for acquiring suitable businesses that align 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, and NTA requirements and achieving shareholder returns.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses) for each class of financial assets, financial liability and equity instrument are disclosed in note 3.

(c) Categories of financial instruments

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Financial assets				
Cash and cash equivalents	9,898,656	6,252,593	9,408,226	5,441,905
Loans and receivables – trade receivables	3,038,667	2,059,259	2,677,948	1,780,027
Available-for-sale financial assets	2,855,198	4,870,526	2,855,198	4,870,526
	15,792,521	**13,182,378**	**14,941,372**	**12,092,458**
Financial liabilities				
Amortised at cost	**116,981**	**15,784**	**108,403**	**3,422**

During the 2012 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 (2011: nil). No financial assets have been pledged as collateral for either liabilities or contingent liabilities (2011: nil). No assets are held as collateral (2011: nil).

(d) 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 regular basis regarding their activities and the related financial risks. The committees include a Due Diligence Committee (DDC) and an Investment Management Committee (IMC). The DDC reviews 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, including derivative financial instruments, for speculative purposes. The Group's investment policy is to hold financial instruments for the long-term to support capital and NTA 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.

(e) 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.

(f) 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 2012 (2011: 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.

39. Financial instruments (cont.)

Consolidated	Carrying amount at 30 June 2012	Interest rate risk			
		-1%		+1%	
2012	$	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	9,898,656	(64,569)	n/a	64,569	n/a

Consolidated	Carrying amount at 30 June 2011	Interest rate risk			
		-1%		+1%	
2011	$	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	6,252,593	(48,395)	n/a	48,395	n/a

Company	Carrying amount at 30 June 2012	Interest rate risk			
		-1%		+1%	
2012	$	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	9,408,226	(54,707)	n/a	54,707	n/a

Company	Carrying amount at 30 June 2011	Interest rate risk			
		-1%		+1%	
2011	$	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	5,441,905	(39,080)	n/a	39,080	n/a

(g) Other price risk

The Group and the Company are exposed to other price risk from their investment in Australian equities and Australian managed investment schemes. These investments are held for long-term investment purposes and support the NTA 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.

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 and Australian managed investment schemes. Management has assessed the reasonably possible change in Australian equities to be plus/minus 10%, and Australian managed investment scheme plus/minus 5% or plus/minus 10% (depending on type of underlying assets) 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	Carrying amount at 30 June 2012	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2012	$	%	$	$	$	$
Available-for-sale investments						
Australian equities	836,105	10%	n/a	(114,437)	n/a	114,437
Managed investment schemes	2,019,093	5% to 10%	n/a	(202,557)	n/a	202,557
	2,855,198			**(316,994)**		**316,994**

Consolidated	Carrying amount at 30 June 2011	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2011	$	%	$	$	$	$
Available-for-sale investments						
Australian equities	2,018,887	10%	n/a	(267,571)	n/a	267,571
Managed investment schemes	2,851,639	5% to 10%	n/a	(361,762)	n/a	361,762
	4,870,526			**(629,333)**		**629,333**

Company	Carrying amount at 30 June 2012	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2012	$	%	$	$	$	$
Available-for-sale investments						
Australian equities	836,105	10%	n/a	(114,437)	n/a	114,437
Managed investment schemes	2,019,093	5% to 10%	n/a	(202,557)	n/a	202,557
	2,855,198			**(316,994)**		**316,994**

Company	Carrying amount at 30 June 2011	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2011	$	%	$	$	$	$
Available-for-sale investments						
Australian equities	2,018,887	10%	n/a	(267,571)	n/a	267,571
Managed investment schemes	2,851,639	5% to 10%	n/a	(361,762)	n/a	361,762
	4,870,526			**(629,333)**		**629,333**

39. Financial instruments (cont.)

(h) 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 to financial instruments is from outstanding accounts receivables and investments with banks and managed investment schemes.

Executive management and where applicable the DDC reviews 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 36, 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.

(i) 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 are Australian equities. 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 3.17) is measured at fair value. Fair value is determined with reference to quoted market prices including transaction costs.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Consolidated	30 June 2012			
	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale investments				
Australian equities	836,105	-	-	836,105
Managed investment schemes	1,933,429	85,664	-	2,019,093
	2,769,534	**85,664**	**-**	**2,855,198**

Consolidated	30 June 2011			
	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale investments				
Australian equities	2,018,887	-	-	2,018,887
Managed investment schemes	2,134,873	716,766	-	2,851,639
	4,153,760	**716,766**	**-**	**4,870,526**

Company	30 June 2012			
	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale investments				
Australian equities	836,105	-	-	836,105
Managed investment schemes	1,933,429	85,664	-	2,019,093
	2,769,534	**85,664**	**-**	**2,855,198**

Company	30 June 2011			
	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale investments				
Australian equities	2,018,887	-	-	2,018,887
Managed investment schemes	2,134,873	716,766	-	2,851,639
	4,153,760	**716,766**	**-**	**4,870,526**

(j) 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.)

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. None of the amounts in the table are interest bearing.

	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $	5+ years $
Consolidated						
2012						
Non-interest bearing – trade creditors	-	116,981	-	-	-	
Financial guarantee contracts	-	-	-	-	-	
		116,981	**-**	**-**	**-**	
2011						
Non-interest bearing -trade creditors	-	15,784	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-
		15,784	**-**	**-**	**-**	**-**
Company						
2012						
Non-interest bearing – trade creditors	-	108,403	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-
		108,403	**-**	**-**	**-**	**-**
2011						
Non-interest bearing – trade creditors	-	3,422	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-
		3,422	**-**	**-**	**-**	**-**

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 (2011: nil). The maximum amount payable under these guarantees is $748,404 (2011:$5,717,142).

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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 statement of financial position as at 30 June 2012, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end as set out on pages 24 to 74.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

Independent Auditor's Report

to the Members of Equity Trustees Limited

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion, the financial report of Equity Trustees Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion the Remuneration Report of Equity Trustees Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Melbourne, 30 August 2012

Statement of Shareholdings

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

The issued capital of the Company as at 31 August 2012 comprising 8,908,641 fully paid ordinary shares is held by 1,572 shareholders as follows:

Size of holding	Holders of ordinary shares
1 – 1,000*	730
1,001 – 5,000	604
5,001 – 10,000	129
10,001 – 100,000	99
100,001 and over	10
	1,572

* Number of shareholders holding less than a marketable parcel ($500) based on the market price of $12.25 as at 31 August 2012 was 56.

Twenty largest shareholders as at 31 August 2012	No. of shares	%
1. Trust Company (Australia) Limited	1,193,942	13.40
2. Australian Foundation Investment Company Limited	789,267	8.86
3. Mirrabooka Investments Limited	382,904	4.30
4. Milton Corporation Limited	235,503	2.64
5. AMCIL Limited	215,956	2.42
6. Equity Nominees Limited	205,245	2.30
7. Superdeck Pty Ltd	204,310	2.29
8. National Nominees Limited	180,752	2.03
9. DB Management Pty Ltd	169,300	1.90
10. Mr Leonard Clive Keyte	104,895	1.18
11. DB Management Pty Ltd	90,938	1.02
12. Charmof Nominees Pty Ltd	76,892	0.86
13. Medical Research Foundation for Women and Babies	73,606	0.83
14. Mr Vernon Thomas Hauser	70,000	0.79
15. Djerriwarrh Investments Limited	65,875	0.74
16 Mr Geoffrey Heeley & Mrs Dorothy Heeley	52,395	0.59
17. DB Management Pty Ltd	51,482	0.58
18. BNP Paribas Noms Pty Ltd	50,692	0.57
19. DB Management Pty Ltd	49,949	0.56
20. Kirami Investments Limited	49,801	0.56

Substantial shareholders

At 31 August 2012, substantial shareholder notices had been received from the following shareholders:

	Shares held
Trust Company (Australia) Limited	1,161,567
Australian Foundation Investment Company Limited	789,267
DB Management Pty Ltd and associates	493,560

Equity Trustees Limited

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