



**CHAIRMAN'S ADDRESS**

**TO THE 152<sup>nd</sup> ANNUAL**

**GENERAL MEETING**



## Equity Trustees Limited 152nd General Meeting



**Mr JA (Tony) Killen  
Chairman**

**Fellow shareholders, ladies and gentlemen.**

**It gives me great pleasure to welcome you to the 152nd general meeting of Equity Trustees Limited. We have a quorum present and I declare the meeting open.**

**On the basis that the Notice of Meeting has previously been circulated I propose that it be taken as read.**

We have received an apology from Mr John Crutch. Are there any apologies from the floor?

On behalf of my colleagues on the Board I thank you for your attendance. This is my first annual general meeting as Chairman, having assumed the role upon the retirement of Mr Philip Molyneux at the end of August. I am honoured to accept the Chairmanship of the company as we enter our 120th year of business.

I am sure that you will join me in thanking Philip for his contribution to Equity Trustees over 15 years as a member of the Board, including the past 5 as Chairman. His term as Chair coincided with arguably the greatest sustained improvement in the fortunes of the company in its history. He led the board with a deft touch, it was always a pleasure to participate in meetings he chaired. I speak on behalf of all shareholders Philip when I say we

are grateful for your leadership these past five years, thank you for a job well done, and our very best wishes go to yourself and to Judy for a well earned retirement.

Before turning to the agenda, I would like to introduce my fellow directors – Mr David Groves, who is also Chairman of our Board Audit and Compliance Committee, Mr John McConnell, Mr Barry Jackson, and Mr Peter Williams, our Managing Director.

It also gives me great pleasure to welcome a new member of our Board, Ms Alice Williams. Alice joined the Board in early September and brings many years of financial services experience at both management and Board level.

I also welcome Mr Craig Henderson from Allens Arthur Robinson, our legal advisors as well as Mr Peter Caldwell and Mr Gary McLean from Deloitte, our auditors. I take this



opportunity to extend our appreciation to Peter who is attending his last Equity Trustees AGM as our auditor. In accordance with the auditor rotation requirements of the Corporations Act, Deloitte is required to rotate audit partner every five years. Thank you Peter for your excellent work on shareholders' behalf in your time as our auditor, it has been a pleasure working with you.

Today's agenda is in three parts. I will provide an overview of the highlights of the recent financial year, Peter Williams will provide an update of our operational performance and we will then address the items of ordinary and special business, which are listed on the notice of meeting.

I will be very pleased to take any questions that you may have, however I ask that you kindly hold your questions until the end of the presentations.

It is a pleasure to be able to report on an extremely strong result for the company in the 2007 financial year.

Our pre-tax group operating profit was up by 68% to \$11.1m, based largely on an increase in group operating revenue, which was up 31% to \$32.4m. I should stress that when we refer to measures of operating performance this excludes any profit from the sale of investments. Our business practice is to focus on operating measures to provide an indication of the underlying performance of the company. The strong growth in our operating margin is a reflection of the strength in our underlying performance and of the importance we attach to cost control and efficiency gains.

On an after-tax basis, reported net profit was

\$8.1m, an increase of 58% on the prior year's result. These numbers represent record levels of profitability for our business.

Net profitability reflects earnings per share of 105 cents, an increase of over 50% on that achieved last year. This is the second year in a row EPS growth has reached 50% year on year.

The Board of Equity Trustees is very focussed on ensuring that shareholders share fully in the improving performance of the company. The final dividend of 45 cents per share, paid last month, brings aggregate dividends for the year to 75 cents per share, fully-franked. This is 50% higher than that paid in the prior year and at the upper end of the Board's current target payout ratio of 60-80% of operating profit after tax (excluding profit on the sale of investments).

Our franking credit balance of \$5.8m, up 36% on last year, is also at a healthy level and should ensure that we remain able to fully-frank future dividend payments for the foreseeable future.

I take this opportunity to announce a decision made at our board meeting earlier today, to increase the Board's target dividend payout ratio from 60-80% to 70-90% of after tax profit; and henceforth to include investment profits in the calculation.

This reflects your board's confidence in the strength of the company's operating model and in management's capacity to execute it. It also reflects our confidence in the market's support for a capital raising should an appropriate acquisition beyond the capacity of our present balance sheet present itself.



The investment profit, which flows from modest rebalancing of our equity portfolio each year, is a much smaller proportion of total profit now as compared with a few years ago, hence our decision to include it in the calculation of dividends to shareholders in future years. The strength of our franking credit balance is also supportive of our decision to increase the dividend payout ratio.

Total shareholder return over the 4 years to June 2007 has exceeded 60% pa compound and our market capitalisation has grown in that period from \$31m to around \$250m today.

Continuing growth at this rate is clearly a challenge and shouldn't be assumed. However we do aim to continue to grow strongly, both organically and by acquisition. We believe we are well placed to prosper in what is a buoyant market for our products and services.

We have started the 2008 financial year well. Revenues have grown 21% over the corresponding period last year, most of this growth being organic, our recent acquisition has provided only a modest contribution to this point. And our costs continue to be well controlled. There is no reason to think this won't be translated into further improvements in returns to shareholders should present trends be maintained over the course of the year.

Meanwhile, as I have said, growth by acquisition is a key component of our strategy

We have now completed the acquisition of the rights to the Freedom of Choice superannuation master-trust and platform from Australian Unity. We are also nearing the completion of two smaller acquisitions, one being

Templetons Superannuation Management, a former subsidiary of Bob Templetons Financial Group, a Queensland based financial services business.

The combined impact of these acquisitions means that the total funds under management in our superannuation business will be around \$680m, a jump of over 500% from the figure when we originally acquired Wealthpac Australia Limited in 2003.

The growth in our superannuation business, and our desire to consolidate and promote the EQT brand in all of the markets in which we operate, have prompted us to rebrand this business. The business is now known as Equity Trustees Superannuation Limited, a name that reflects both our own corporate identity as well as the fact that the business has grown beyond just the Wealthpac master trust. The Wealthpac, Templetons and Freedom of Choice brands will all be retained and will sit beneath the Equity Trustees logo.

Our balance sheet position at the end of 2007 remains strong, providing the ability for us to seek out suitable targets for future growth. We have the capacity to invest a further \$15m in new acquisitions without recourse to borrowings or to capital raisings from shareholders.

Another reflection of the company's growth is our expansion along the Eastern Seaboard. Towards the end of last year we opened an office in Brisbane, providing us with a base in one of the fastest growing regions of the country. The Queensland office is staffed by financial services professionals who are locals, a critical factor in gaining a foothold in that market. We already boast a number of superannuation and funds management



clients in Queensland and it pleasing to see this office contributing to our results.

Before I conclude, I would like to touch of two matters, the first being the so-called “sub-prime” issue. Under this heading lurk problems associated with the wholesale repricing of credit, questions about the fair valuation of underlying securities and constrained liquidity in funds invested in those securities. Inevitably this has impacted some Australian institutions. Let me assure EQT shareholders however, that our business has not been adversely impacted in any material way.

The second matter relates to our philanthropic activities. Equity Trustees has a strong connection to the philanthropic community. We manage around \$450m in charitable trusts, and in 2007 our charitable funds and estates collectively distributed \$24m to worthy causes. We actively encourage our staff to participate in the philanthropic grants-making process – taking active roles on panels to assess and select the recipients of discretionary charitable distributions to be made each year.

Twenty per cent of our staff assisted in this process over the past twelve months.

It has been longstanding policy for the company itself to donate 1% of pre-tax profit (before investment profits) each year to the EQT Foundation. The EQT Foundation is a public charitable foundation which has been established in perpetuity to assist individuals and organisations in charitable giving. This year we donated over \$100,000 to the Foundation.

And of course, we initiated, and continue as the principal sponsor of, the Annual Not for Profit

CEO Awards, now in its 6th year. These awards recognise the outstanding work undertaken by individuals in the not for profit sector for the benefit of the community as a whole.

2008 represents the 120th year in which Equity Trustees Limited has been in operation. The company is jealous of its heritage. We are proud of the worthwhile role that we play in enhancing and protecting the wealth and the well-being of our private clients, and of our philanthropic activities. We are delighted with the many outstanding relationships we have forged with our corporate clients in recent years. We are especially pleased that we have restored, indeed strengthened, our relevance as an institution in the face of the challenges thrown up by a fast changing world.

For this we thank all of our partners, and suppliers. We particularly thank our staff, led by an outstanding management team, for their dedication in bringing this about. Finally I thank my colleagues on the board for their support and for their diligence on shareholders’ behalf.

I now invite our Managing Director Peter Williams to address the meeting.

**JA (Tony) Killen**  
**Chairman**  
**Equity Trustees Limited.**  
**8 November 2007.**