EQUITY Trustees
Trusted since 1888

Shareholder Review 2011

Company Profile

Where we started

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

What we do

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

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

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

Where we're headed

We have come a long way in 123 years from our origins as a trustee company. Today we are a dynamic financial services institution, and will continue to grow the breadth and quality of the products and services we offer.

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)

John R McConnell
BCom, FAICD, FAIM, F Fin
(Non-executive)

Alice J M Williams
BCom, FCPA, FAICD, 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)

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 or 1300 133 472
Facsimile: (03) 8623 5200
Email: equity@eqt.com.au

Other Offices

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North Sydney, New South Wales 2060

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Brisbane, Queensland 4001

Equity Trustees Limited
ABN 46 004 031 298

Australian Financial Services
Licence No 240975

Contents

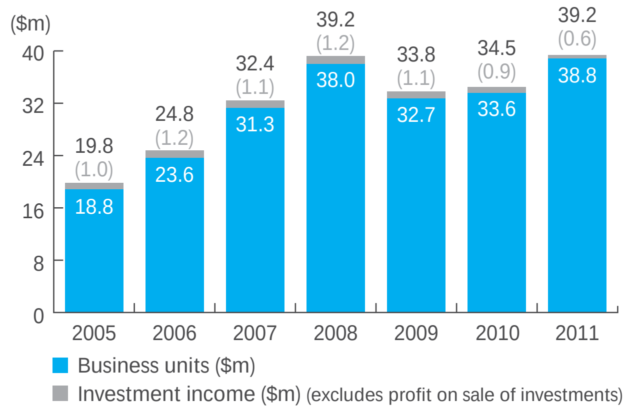
Results at a Glance

Overview of 2011 financial year

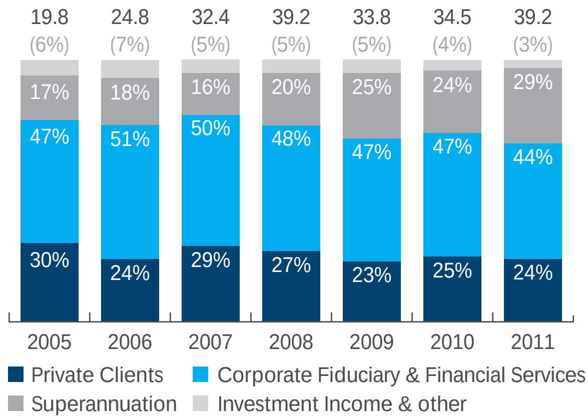
- Adverse business conditions in investment markets affected results, but profit increased.
- All revenue business units remain solidly profitable.
- Organic funds under management and revenue growth varied across business lines.
- Final dividend reduced to match circumstances and move closer to stated policy.
- Changes in business management structure to enhance focus on corporate client relationship management, risk management and compliance.
- Acquisition of Apex super master trust – integrated and EPS positive in 2011.
- Lifetime Planning and Tender Living Care acquired on 1 August 2011 – specialised, high quality advisory business in attractive aged care sector.
- Updated IT platform for trust administration – project completed, achieved scope, within budget.
- Strong new business flows and opportunities in some revenue lines – varies by sector.

Overview – Group results	***2011 $m***	***2010 $m***	***Change***
Operating revenue	39.2	34.5	14%
Operating expenses	(28.4)	(23.8)	(19%)
Operating profit before tax	**10.8**	**10.7**	**1%**
Income tax expense	(3.0)	(3.2)	
Operating profit after tax	7.8	7.5	3%
Net profit from sale of investments (net of tax)	0.4	0.5	
Net profit after tax	**8.2**	**8.0**	**2%**
Earnings per share (cents)	97.01¢	96.60¢	
Dividend per share (full year, fully franked)	100¢	110¢	
Operating margin (pre-tax, excluding gains on the sale of investments, including non-recurring costs)	27.5%	31.1%	

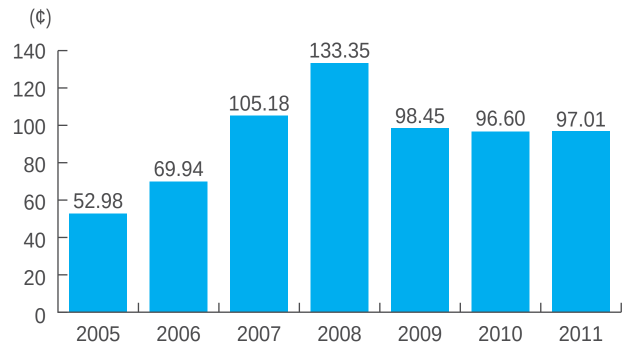
Operating revenue ($m)



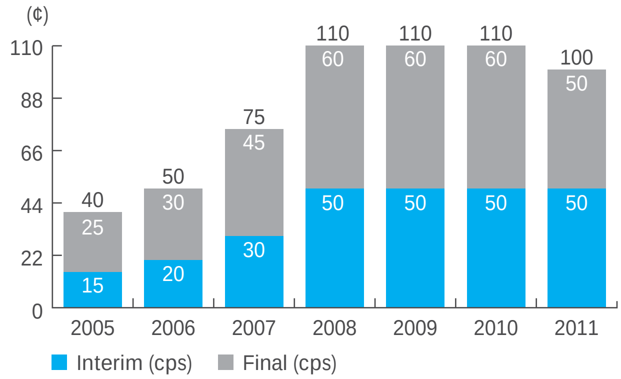
Operating revenue – composition ($m)



Earnings per share (¢ per share)



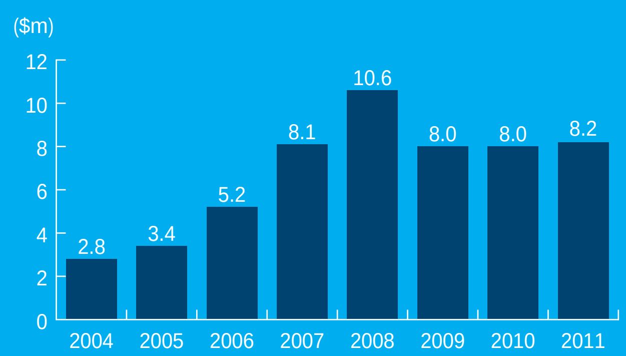
Dividend per share (¢ per share)



- 0.42% increase in earnings per share (97.01cps)

- 100¢ full-year, fully-franked dividend
- Reflecting attractive yield (before franking credits)

Operating profit (net profit after tax $m)



14%

Operating revenue ($39.2m)

$8.2m

Net profit after tax (includes profit on sale of investments)

Chairman's Review

J A (Tony) Killen OAM
CHAIRMAN

For the third year in succession I have opened my review by noting the turbulent, volatile and challenging conditions we experienced broadly in investment markets and many major economies during the reporting period. It appears likely that these conditions will continue to be with us for some time as a number of the world's largest and most important trading blocs struggle with low growth, high debt, and other weak economic and business fundamentals. As a result of these factors the 2011 financial year was a mixed one, punctuated by periods of volatility reflecting nervous markets and the concerns about these serious economic problems. Although there were signs of improvement in the first three quarters of the year, the investment markets then followed the pattern of the previous year and experienced a substantial reversal during the June quarter.

These testing business conditions inevitably affected our results but again Equity Trustees was able to demonstrate solid underlying performance with a 2% gain in profit after tax, strong cash flows and a robust, debt-free balance sheet.

However, despite the challenges of the investment markets, the year under review was an active and positive one for the company. Although we would naturally have been pleased to see more than a modest improvement in the result over the previous year, the business continued to move forward with its long-term strategic plans and pursue a good balance between short-term operational development and longer term structural positioning.

We successfully completed one acquisition and announced another (which was finalised after the year end) as well as undertaking some changes in the operational and management structure of the business. Equity Trustees' diversified business activities are well positioned to take advantage of the attractions of the financial services industry in Australia, which has a very positive long-term growth trajectory ahead of it. The Board is confident that the company has a sustainable and sound long-term strategic plan and therefore remains positive that the company will continue to deliver results that reflect the appropriate expectations of stakeholders.

As a result of the continuing uncertainty and the use of cash for acquisitions, the Board announced a reduction in the fully franked final dividend from 60 to 50 cps. Thus the dividend for the full year is 100 cents, fully franked, reflecting an attractive yield before franking credits.

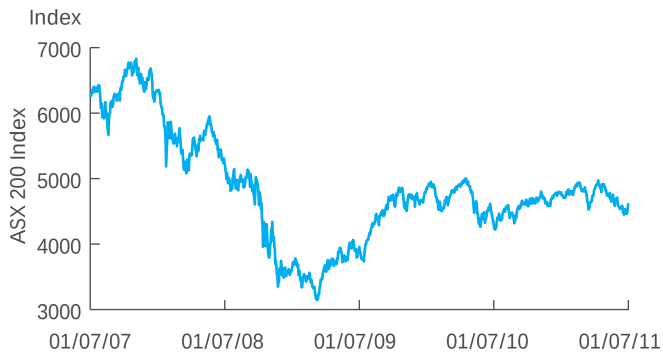
Financial overview

The table on page 4 provides an overview of financial performance for the 2011 financial year, compared to previous periods.

With hindsight, we can now see that the years leading to 2008 were indeed a very benign and conducive environment for the financial services industry and companies like Equity Trustees. Since then, as referred to in my general comments, we have experienced much more challenging conditions.

After growing by a modest 2.1% in 2010, operating revenue grew by a more satisfying 14.0% in 2011, noting that this includes the part-year contribution of the OAMPS superannuation master trust (since renamed Apex), which was acquired on 1 November 2010. Expenses grew at a faster rate, however, reflecting business growth, a number of one-off factors and a small reduction in our overall margin. Net profit after tax improved marginally from last year at $8.2m. Earnings per share increased slightly to 97.01¢ (on a higher number of shares issued).

ASX 200



The graph above shows the performance of the ASX 200 Index over financial years 2008, 2009, 2010 and 2011. On a cumulative basis the index fell by 26.6% from the beginning of the 2008 year until the end of the 2011 year and by almost 54% from its peak to its trough during the same period.

In a number of our business lines revenue is directly linked to investment market values and, generally, market sentiment and investor activity has a further indirect impact on revenue through changes in overall funds under management and the relative attractiveness of different investment asset categories and products.

Returns to shareholders

The Board's decision to reduce the full year dividend to 100¢ per share has been noted above. This comprises a final dividend of 50¢ per share, following an interim dividend of 50¢ per share. As before, all dividends are fully franked.

This decision reflects the current economic environment and the use of a significant portion of our available cash for two acquisitions. The Board continues to be confident in the underlying fundamentals of the business: strong operating cash flow; debt-free balance sheet; good long-term growth prospects; and a considerable bank of franking credits.

The decision to pay a dividend above the target range and earnings per share in each of the previous two years reflected the conditions in those years and the stronger or more widespread view then that the after-effects of the credit crisis in 2008 would ameliorate more rapidly than we now know will happen.

The Board's longer term policy is to pay dividends representing 70 – 90% of after-tax profit (including profit on the sale of investments). The decision to retain a payout ratio above this range for 2011 does not imply that the above range will be exceeded on average throughout the business cycle.

Strategic direction

The company's strategic plan is built on the following pillars:

- A diversified business, with the advantage of having access to different revenue streams through three distinct operating units – Private Clients, Corporate Fiduciary & Financial Services (CFFS), and Superannuation;
- increasing integration of support business units across the revenue generating units to maximise efficiencies, enhance control, appropriate risk management and
- generating increased sales and strong client retention for organic growth; and
- expansion by acquisition for step growth or strategic transformation.

This strategic approach was first adopted in 2003 and shareholder returns since then are evidence of its success.

The Board, with management, regularly reviews the company's strategic plan, opportunities, challenges and objectives.

In addition to the economic and trading factors affecting our industry and business, we are facing a significant and possibly unprecedented wave of regulatory reform. Whilst a material part of this reform is not directly intended to affect trustee companies or activities it is inevitable that there will be indirect effects, through industry consolidation and other factors, and as a diversified business there are some parts of this reform programme that will directly affect us. In the Managing Director's Review you will read some more detailed comments on this.

The financial services industry is by some measures one of the largest industries in Australia. In the last decade the Australian financial services industry has grown from being approximately the 10th largest in the world (by assets) to now ranking at about 4th position. The flow of money from compulsory superannuation is expected to see our relative size increase further over the next decade or so.

The company's range of activities in this large and growing industry means that we are well placed to continue to be a successful, growing and profitable business, but the size of the industry and our national economic performance, which helps to attracts investment and competitors from offshore, also brings challenges. In recent months we have seen examples of large companies growing further by acquisition to position themselves for the post-reform market. This trend is likely to continue and will result in a more markedly stratified industry, with a small number of very large companies controlling the most significant share of the market. As a smaller company it is incumbent on Equity Trustees to be focused and disciplined about what products and services we seek to offer, about where we can successfully compete and about extending our reach and resources beyond our capabilities.

In accordance with this discipline the Board assesses potential acquisitions against a number of key criteria and factors. We are being presented with a considerable number of potential acquisition opportunities, mostly in the financial advisory (or 'wealth management') sector as a result of the external forces I've noted earlier. This sector is of considerable interest to us because it represents a major and attractive profit opportunity, complementary products and services to our existing range, and the potential to expand the distribution scope for our traditional private client trustee business. The demographic forces that will see a historically unprecedented level of net wealth transitioned between generations over the next few decades, and lead many individuals to want high quality advice on wealth protection and transition, are well known and represent a very substantial opportunity for trustee companies.

Making the best of this opportunity will be our most important strategic focus in the medium- to long-term, at the same time as the efficient management and development of the considerable organic growth opportunities we have across our private client, corporate and superannuation business lines.

I have written before about our industry being a people-based one. The company's future success and profitability will be built on the skills, initiative and enthusiasm of our personnel. I would again like to acknowledge the contribution made by our staff during the last few challenging years. Despite the more difficult conditions since 2008 the executive team and staff have maintained the impetus of their ideas to take the business forward, and the consummation of two acquisition opportunities in just under 12 months is a clear sign of their ability to propel the company's development for the very long-term.

We completed the acquisition, transition and integration of the Apex super master trust into the existing EquitySuper master trust in a very efficient manner, to a tight deadline and within our project timetable and costs.

And, as recently announced, on 1 August 2011 the company completed the acquisition of a specialised advisory business known as Lifetime Planning and Tender Living Care. This business provides a number of services in the aged care advisory sector and will be a strong complement to our existing Wealth Management and Personal Estates & Trusts operations.

Balance sheet – capital management

The company's net asset base of $55.4m (vs. $53.9m in 2010) remains strong. The liquid asset base passes all our regulatory requirements and routine operational needs. The strength of our capital base and our cash flow should ensure that a capital raising for an appropriate acquisition or for additional capital backing would not be difficult.

Remuneration

Equity Trustees aims to implement a remuneration structure that helps attract and retain staff with the skills, experience and capability to deliver attractive returns to shareholders. In addition to their base remuneration, staff across all levels of the organisation are eligible for short-term incentives, while some staff are also eligible for long-term incentives (a share-based scheme).

All incentives are performance-based and payable only if the company or the relevant business unit meets pre-determined targets which are aligned with the interests of shareholders. In accordance with these parameters, incentive payments were made to eligible staff across the company for the year ended 30 June 2011.

In July 2010 we returned to an annual review of base pay for staff and executives, following the freeze which had applied previously. In performing this review we benchmarked our remuneration levels against peers and the industry generally, using the services of an independent remuneration consultant.

There were no increases to Directors' fees in the year under review. Fees paid to Directors have been unchanged now for three years. This being the case, a market-based review was completed recently and increases made to fees with effect from 1 July 2011. After allowing for these increases the total level of Directors' remuneration continues to be contained within the limit on fees previously approved by shareholders.

The Board

Every three years the Board undertakes a formal performance appraisal performed by an external governance expert. The most recent review was conducted by Baker & Baptist Pty Ltd in the March quarter, 2010. The review concluded, *'The EQT Board continues to perform strongly against the ASX's Corporate Governance Principles and Recommendations'*, and also provided a number of suggestions for improvement in the conduct of the Board's affairs into the future. Progress against these suggestions is regularly reviewed by the Board.

The Board also keeps under review succession planning for its own continuing development. There is a clear view of the skills needed and which we wish to maintain around the Board table, as well as a timetable for orderly renewal of the Board as we face retirements or resignations in the normal course of events. In accordance with this planning the membership of the various Board committees is also reviewed.

John McConnell has advised the Board of his decision to retire at the 2011 AGM after more than nine years of valuable and distinguished service. On behalf of all shareholders and my colleagues on the Board, I thank John for the very significant contribution he has made to our deliberations during a period of considerable success and development for the company.

Outlook

Following what is now known as the Global Financial Crisis, it appeared for a time that recovery might be relatively swifter and surer than the scale of the initial shocks seemed likely to indicate. However, it is now evident that the world faces a much longer period of uncertainty, volatility and weakness in general economic conditions.

This volatility continued to affect investment markets in the year to June 2011, and the early months of this current financial year are following a similar, if not even more marked, pattern. Significant swings in equity market values appear to happen at times on a daily basis and statistics for the Australian financial services industry indicate that investor and consumer nervousness is being translated into very low or negative net flows to growth investment products and a higher level of household debt repayment than seen in Australia for a very long time.

Although Equity Trustees actually enjoyed positive growth across many of our funds under management and administration categories in 2011, the bulk of net external flows went into lower margin products. It is too early to tell if this pattern will also be evident for the whole of this year but the general conditions have a direct impact on our growth and revenue.

Nevertheless the company has demonstrated good resilience in profits and performance during the last few years and we are cautiously confident that Equity Trustees will continue to operate successfully and develop for the future despite continuing difficult market conditions. When a sustained recovery eventually emerges we believe that the company stands in an excellent position to benefit from it and quickly return to a high growth path.

The Board is confident that the company's overall strategic plan remains relevant and balanced for the conditions and our position. The Board, management and staff will continue to focus on delivering returns to shareholders, developing the company for the future and growing the business in a sustainable and measured way.

Company reporting

This Review is sent to all shareholders.

The financial report for the year ended 30 June 2011 is included in the 2011 Annual Report, which is only posted to shareholders who have previously elected to receive a hard copy. If you would like to request a hard copy you can do so by contacting our share registry, Computershare:

Phone: 1300 367 647 (within Australia) or
+61 3 9415 4299 (outside Australia)

Email: web.queries@computershare.com.au

All documents pertaining to our annual results can be viewed on our website www.eqt.com.au.

J A (Tony) Killen
Chairman

Managing Director's Review

Robin B O Burns
MANAGING DIRECTOR

The financial services industry experienced a mix of external forces and factors in the 2011 financial year that brought both positive and negative influences to bear on the company. I will discuss some of these in more detail later in this report, but the overall tone of business conditions for the year was undoubtedly a challenging one.

As in the previous period, investment markets around the world displayed a higher degree of volatility, nervousness and fear than in the happy conditions of the years leading up to the Global Financial Crisis. In overall terms our business is adversely affected by these sorts of market conditions, not just through direct links between investment market values and some of our revenue streams, but by the overall flow of money into the investment markets and the asset classes it goes into. In turn this affects related business activities, for example as fund managers are reluctant to introduce new products or sustain less well-performing ones through to more positive conditions.

There is no doubt that the short-term reflection is therefore one of operating during a difficult and challenging period, but taking a longer perspective to the industry as a whole brings a more positive view.

In accordance with these mixed themes we managed to grow net profit after tax at 2%, but this overall outcome partially obscured some more gratifying basic developments in the business.

It was a busy and active year for the company, with a number of major steps forward.

Despite the challenges, we managed to achieve organic revenue growth during the year, and added to this with a successful acquisition, but as a result of a higher growth rate in expenses, some competitive market pressure and growth in non-recurring expenses our operating margin (27.5%) was down slightly on the 2010 comparative (31.1%). Overall the business has demonstrated good performance through tough times and remains well placed to grow in the future. If non-recurring expenses are adjusted out of the overall operating margin, the 2011 year would have produced a margin of just under 30%. Given the conditions and the continuing investment we made in staff and systems for the long-term, we are happy that a margin of approximately 30% if attained year-on-year represents a solid and stable base of profitability for long-term returns.

The company's strategic direction and business plans are reviewed regularly. Although we have a core of business activity that remains essentially unchanged since the company commenced in 1888 (and will remain a core into the foreseeable future), we have in recent years developed complementary or associated lines of activity and revenue that bring welcome diversity and leverage to different sectors in the broad financial services industry. This general course of balanced and logical strategic extension and development has continued in our two latest acquisitions, one of which represents scale growth in an existing business and the other an extension into a complementary private client service and advice line.

The industry is undergoing what by any recent or normal standard is a huge amount of regulatory change. Significant legislation is directed at the financial planning sector and at the superannuation sector; trustee industry legislation changes took effect in 2010 with business impacts flowing from that; there are proposed changes to the capital backing regime for responsible entities; potential changes to the taxation of managed investment schemes; a review of the funding and provision of aged care; and a forthcoming national tax forum. In one way or another all these have potential impact on Equity Trustees and have to be monitored, built into planning or scenario development and assessed for positive or negative influences.

I wrote last year in my first report as Managing Director that I was delighted to have joined a company which places such a strong emphasis on looking after the interests of its clients, in the knowledge that over the long term this also delivers excellent results for shareholders and of course our staff.

Our long history of fiduciary responsibility, integrity and disciplined management will continue to provide a very solid base for sustained success in financial services, where these qualities should be paramount. My first full year with the company, whilst bringing of course challenges of various sizes, has positively reinforced those initial reactions and impressions. The company is fortunate to have a highly experienced, capable and commercially ambitious employee team and I have greatly enjoyed being part of it.

Operating performance

The details of our operating performance are shown in the tables and graphs on pages 4 to 5 of this Review. In summary, operating revenue rose by 14% to $39.2m, while the company's operating expenses also rose during 2011 by 19% to $28.4m (vs. $23.8m in 2010). Both operating revenue and expenses include eight months of results from Apex. This acquisition was earnings accretive immediately and in fact produced a better result in the year than we had assumed in our pre-acquisition modelling. Organic revenue growth varied across the business lines and is noted in more detail later in this Review. Total funds under management (FUM)/funds under administration (FUA) at year end grew significantly from $18.51b to $21.78b. Although it must be noted that this increase is not directly related to revenue growth due to the different earning streams and timing of flows in and out, it gives an overall view of the scale of the business and its direction and trends.

The operating margin varies across our business units but in all cases is regarded as healthy and well-placed to support scope to invest in the business for future growth.

The most significant factor in expenses growth, other than the Apex addition, lay in the staff costs area. Employment costs account for approximately 66% of our total expense base (not an unusual ratio for our industry), and part of the cost increase in 2011 derived from the staff incentive schemes, which were more individually targeted than in previous years and resulted in a better total payout for staff than in the prior two years. The schemes are set with targets that are aligned with shareholder returns and business objectives as well as being relative to overall business conditions.

We added 21 new roles to the business in 2011. Twelve of these came with the Apex acquisition, five others were 'front office', or business development and growth-focused and four were in support business units, mostly to deal with increased transaction numbers or a conscious upgrading in resources.

Other costs were maintained at ratios largely similar to previous years.

Business unit performance

The company's strategic direction and revenue generation is based on our three core business units. Their key activities and performance data are summarised below:

Business unit	Key services	Target market/channel	2011 Revenue vs 2010	2011 FUM/FUA vs 2010
Private Clients	• Wealth Management • Personal Estates & Trusts • Asset Management • Philanthropy	• Private investors • Business to business referrals	$9.6m +12.2%	$1,312m +4%
Corporate Fiduciary & Financial Services	• Distribution • Product management for EQT co-branded funds (managed by external specialists) • Responsible Entity	• Platforms/IDPS • Financial planners • Investment managers	$17.2m +6.4%	$19,485m +20.5%
Superannuation	Full service master trusts • Wealthpac • Freedom of Choice • Apex	• Small-medium size corporates • Members	$11.2m +34.9%	$979m +56.9%

Each of the business units recorded positive revenue growth for the year, building on growth in FUM and FUA. In addition, the Superannuation business unit recorded revenue and FUM growth as a result of the acquisition made on 1 November 2010. Each business unit is commented on in more detail later in this Review.

Support services

In addition to the revenue-generating business units the operating structure contains supporting services provided by the following units; Corporate Services; Legal, Risk Management & Compliance; Human Resources; Business Systems & Technology; Marketing; and Operations. A separate Internal Audit function is also in place. These support units are an integral part of the overall organisation and are of equal importance in the pursuit of our corporate goals. The head of each of these units is a member of the group senior executive team.

Business highlights

Operating highlights in the year under review:

- Acquisition of the Apex super master trust on 1 November 2010. The integration of this business was accomplished efficiently and was in all material respects complete by the end of the financial year. This acquisition will help build scale and efficiencies in the Superannuation unit and was a very complementary addition to the existing operation.
- Continued growth in the number of Wealth Management clients during a volatile period. Wealth Management again exceeded most targets for revenue, new clients, and new funds under management.
- Good new business results in estates and charitable trusts. The Personal Estates & Trusts area (part of Private Clients business unit) achieved good revenue growth despite the challenging markets affecting asset-based fees.
- In total the EQT co-branded funds achieved strong net inflows, in contrast to many funds management businesses, however, the inflows were again skewed heavily towards the lower margin asset classes.
- In the Responsible Entity (RE) area in CFFS we established new products for a number of international and local fund managers. Business enquiry and activity in this area remains positive and at 30 June Equity Trustees was RE for 123 funds on behalf of 51 managers (up from 113 funds and 41 managers at the previous year end). Funds under administration in RE grew by more than 20% but the growth here was also dominated by lower margin classes.
- The Superannuation business unit provides the administration and investment platform for a new flat-fee master trust product known as simpleWRAP, launched late in the period and offering a compelling fee advantage compared to many other master trusts or wrap platforms in the market. The product is distributed by our joint venture partner and is aimed at the independent advisory sector.
- On 1 January 2011 we implemented a partial management re-structure. A new group support business unit – Legal, Risk Management & Compliance – was created to oversee these critically important parts of our activities across all business units. Previously each business unit had been responsible for these functions itself but in the intensely and increasingly regulated field of financial services we now believe that a group-wide approach to these functions is a more appropriate model, particularly as we are in the process of implementing a review of risk management across all business units.
- On the same date we combined in one revenue business unit the corporate RE business and the funds distribution business. The clients in funds distribution are all RE clients and the staff involved in servicing both aspects need to be closely integrated in their activities and knowledge of the clients' operations, products and objectives. We also wanted to ensure that these important corporate clients had a single relationship management point within EQT to ensure that all aspects of the relationship are handled efficiently and given appropriate priority.
- We also implemented a revision of the internal management structure of the combined Private Clients unit. The Wealth Management and Asset Management arms of this unit were given separate reporting within the executive leadership team. The newly-acquired aged care advisory business (information on which is covered elsewhere in this Review) will form part of the Wealth Management arm in Private Clients.
- The project to implement a new information technology system for trustee activities was completed during the period. Although this project took longer than originally planned, it was delivered substantially on scope and budget. This new system will provide our administrative base for the future and has the potential to facilitate greater efficiencies in related parts of our transactional and reporting systems. These potential enhancements will be assessed and delivered as part of our normal annual information technology programme.
- It was announced that we had entered negotiations to acquire a specialist financial and service advisory business operating in the aged care sector. This acquisition was completed on 1 August 2011 and is now in the integration phase. This business, operating as Lifetime Planning and Tender Living Care, is highly regarded, profitable, comprises dedicated and experienced staff who display the same values and ethos for client service that we expect at Equity Trustees, and has considerable scope for expansion and development. It represents a logical extension to our existing wealth advisory and total care services and is well placed to participate in the impact of the aging of the Australian population on the need for specialised and trusted advice.

The financial services industry

In last year's report I mentioned the various federal government initiated reviews into parts of the financial services industry. At that time the Cooper Review (into superannuation, and now known as the Stronger Super proposals), Ripoll Inquiry (now subsumed into the *Future of Financial Advice* reforms, or FoFA, examining the retail financial planning sector), and the Henry Tax Review had released a series of recommendations, findings or proposals. To date only the first tranche of draft legislation for FoFA and some Henry Review recommendations have eventuated, although there has been some progress on aspects of the Cooper Review's proposals under examination by the 'Stronger Super Peak Consultative Group' formed to help draft a final position.

That each of the two main industry reviews (FoFA and Stronger Super) is undergoing such an extensive and intense discussion, consultation and negotiation process does indicate the breadth of the reform proposals and the significant impact each is expected to have. Equity Trustees contributes to these reviews or other government consultation requests as and when appropriate. In each of these two main reviews there are potential impacts on our activities and opportunities and therefore we are closely monitoring the unfolding of these initiatives. As referred to already in this Shareholder Review the FoFA changes in particular are very likely to result (there is already strong evidence of this) in increased consolidation in the financial advice (or 'wealth management') industry. The Chairman has already discussed in his report the impact this is having on potential acquisition opportunities and why we are strategically interested in this industry sector.

Naturally Equity Trustees is supportive of reforms which will clearly and demonstrably lead to better outcomes for investors and fund members.

The combined effect of such a significant wave of externally-imposed change with the nervous and volatile conditions in investment markets undoubtedly results in investors feeling less confident about the predictability of their long-term outcomes and financial plans, and hence a reduced propensity to save by investing. The industry also has to deal with a prolonged period of uncertainty whilst the recommendations go through an extended process to eventually emerge as legislation or regulations. This company is relatively unaffected by significant parts of these two reform programmes but as mentioned elsewhere has to maintain a close watching brief. Nevertheless we might reasonably expect that the move of the financial planning industry towards a model that more closely resembles the one that trustee companies have long applied could work in our favour over the medium to long term. It is also feasible that the greater industry consolidation post-FoFA will in fact enlarge the relative opportunity for independent, high quality, high service wealth management businesses. It is this prospect that drives a number of potential acquisition opportunities in our direction.

Another area of potential impact to us now that we have completed our most recent acquisition is the August 2011 Productivity Commission Report, *Caring for Older Australians*. This report provides analysis of the aged care sector and detailed proposals for aged care reform. However, given the complexity of the financial considerations at a time when an individual first enters aged care, and the demographic forces at play, we believe that overall the report can only help draw attention to the need to plan properly and effectively for this stage of life and maintain a positive environment for our services in this sector.

The final regulatory matter I wish to discuss is ASIC's Consultation Paper 140, 'Responsible Entities: Financial Requirements', issued in September 2010. This paper canvasses proposals to review the required capital backing for REs of registered managed investment schemes. If brought into being as drafted, this could require Equity Trustees to source additional capital, held as liquid assets, to support our RE business activity. Inevitably this would have an impact on each competitor RE directly related to their own capital position at the time of full implementation, so at this stage it is not practical to try to anticipate the effect on revenue, margins or pricing. The paper is still in consultation stages and the company is directly involved in this process.

The business in 2012 and beyond

In recent years, Equity Trustees has sought to develop an active sales and marketing culture to drive long-term growth objectives without losing sight of our prime goal of maintaining high service standards for our clients and beneficiaries. This emphasis will continue in the current year with the objective of accelerating organic FUM/FUA and revenue growth across all business lines.

We will also continue the review and design of the most effective management and operating structure for the combined business activities for the long-term, ensuring that expertise and efficiencies are shared and achieved across all our business units rather than be concentrated in one place or be inconsistently pursued. Allied to this is the implementation of a revised approach to risk management across the group, which is under way.

Integration and then development of the aged care advisory business will be a focus in the early months of the current period. I am pleased to note that the very first results from this business were well in line with our expectations and that all the staff who work there have accepted an offer of their continuing role as part of Equity Trustees.

With the practical stages of the integration of Apex super master trust basically complete, the focus in the Superannuation business unit this period will turn to maximising efficiencies, client relationships and member retention. In addition we will aim to see the simpleWRAP product, and other potential alternative revenue avenues currently in consideration, develop momentum.

The diversified business units within Equity Trustees are well positioned to benefit from the overall positive financial services environment in Australia. We offer competitive specialised services to organisations who want to provide asset management expertise and products to local investors. We operate directly in the rapidly growing superannuation sector with products and services for both corporate clients and individuals. We have long provided personal financial advice and services and our trust and philanthropic services provide a steady base of activity in a field that will experience increasing interest and relevance as forecast demographic changes take effect in coming years.

Equity Trustees has an extensive history of providing advice and services to individuals wishing to manage their wealth – through transition between generations and subsequently helping the succeeding generations grow, protect, and transfer wealth. The ever-increasing complexity of financial markets, the size of the funds and wealth management industries, the expected scale of the wealth transfers between generations, and the need for truly independent, high quality, personalised advice will provide an environment in which Equity Trustees can thrive in the future as it has done for over 120 years.

The company's purpose

Equity Trustees' key stakeholders are our clients, our shareholders, and our staff, many of whom are also shareholders. Protecting, enhancing and nurturing the interests of each of these groups is not only our purpose but the core of the company's values and culture. Our first guiding principle has always been to put our clients' interests and needs first and by doing so guarantee the organisation's integrity, success and longevity.

Trustee companies occupy a special place in the industry and in fact in wider society, not just by legislation but by our long histories, consistent business activities, role and responsibilities. Our reputation for integrity, expertise, diligence and stability is to be envied and protected. In an industry where we manage and advise on substantial sums of money on behalf of others it is these qualities that should be the first qualification of entry.

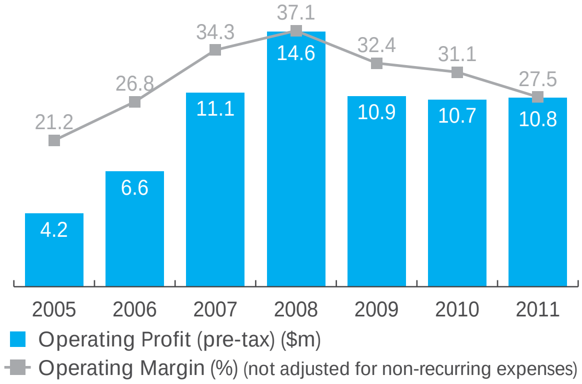
I look forward to continuing to work with the Board, executives and staff to implement growth initiatives over coming years, to protect and nurture the company's culture and values, and to continue to put our clients' interests and needs first. I am very confident that the company has an exciting, prosperous future and that we can look forward with anticipation to capitalise on the many opportunities that will arise.

Robin B O Burns
Managing Director

'Our long history of fiduciary responsibility, integrity and disciplined management will continue to provide a very solid base for sustained success in financial services, where these qualities should be paramount.'

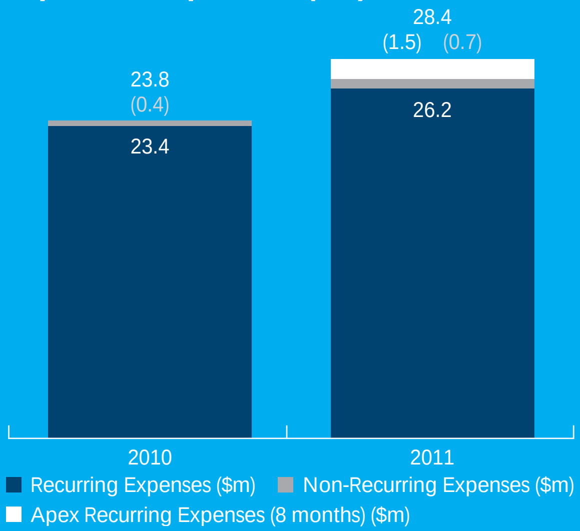
Additional Group Information

Operating margin



This chart illustrates the overall margin, being Operating Profit before Tax (2011 – $10.8m) as a percentage of Operating Revenue (2011 – $39.2m). Adjusting the result in 2011 by adding back non-recurring costs, which are included in Operating Profit before Tax, would result in a margin of 29.3%. A margin of 30% is regarded as a healthy, sustainable long-term position for the organisation. The margin in the years 2007 and 2008 reflected exceptionally positive operating conditions.

Expense composition ($m)

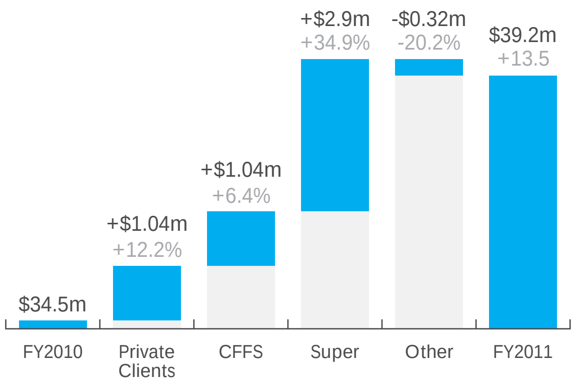


This chart illustrates the three main factors in the growth in operating expenses:

- the expenses incurred by the operations of the Apex super master trust for 8 months;
- an increase in non-recurring costs, which includes one-off items such as the external advisory and legal costs associated with acquisitions; and
- growth in the underlying expense base of 11.8%.

This last factor includes the cost of the new roles added to the group during the year, the remuneration review at 1 July 2010 which included some catch-up effect and the cost of staff incentive payments, which are triggered only if defined objectives are achieved, and are not necessarily incurred each year.

Operating revenue – change



The change in each business unit's contribution to total operating revenue relative to the previous year's base is shown in this chart. It demonstrates the good organic growth achieved in Private Clients and CFFS in 2011. Superannuation's strong growth in 2011 is substantially due to the acquisition of the Apex super master trust on 1 November 2010. The small decline in other revenue is due to the reduction in investment income following the disposal of liquid assets to fund acquisitions.

Business Unit Review

Private Clients

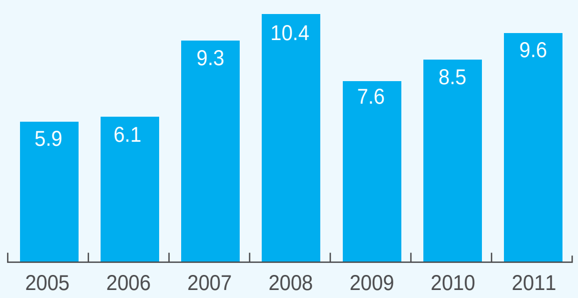
Function

The Private Clients unit comprises three operating arms:

- **Personal Estates & Trusts (PEAT):** estate planning, trustee, executor, taxation, and philanthropic services.
- **Wealth Management:** personalised portfolio management and support services.
- **Asset Management:** overseeing the investment process for internal and external clients and managing internal funds.

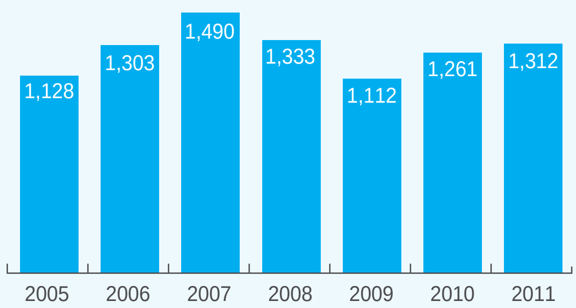
Performance

Operating revenue ($m)



*Operating revenue **up 12.2%** to $9.6m*

Assets under management ($m)



*FUM/FUA at 30 June 2011 **up 4%** to $1,312m*

Operational highlights

- Strong financial performance in PEAT: exceeded FY10 revenue by in excess of 15%.
- Number of new deceased estates in PEAT up 30%.
- Upgraded sales resources and marketing focus in PEAT, including new BDM, and business to business engagement successfully commenced.
- A record year for Wealth Management, with 68 new clients.
- First steps achieved in building Wealth Management client list in our Brisbane office, by marketing to existing and potential client lists.
- Five new perpetual charitable trusts established.
- Customer survey revealed high satisfaction levels, positive engagement and loyalty.

Outlook

- Pricing review in process, aimed at expanding PEAT's target market.
- Enhanced estate planning capability to drive future greenfield growth.
- Integration of Lifetime Planning and Tender Living Care to be earnings accretive immediately and to provide substantial opportunity for revenue synergies through cross-referrals and expansion into new locations.

Corporate Fiduciary & Financial Services

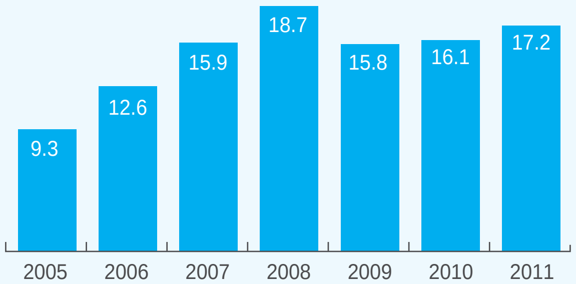
Function

The Corporate Fiduciary & Financial Services (CFFS) unit comprises:

- **Fiduciary services:** responsible entity for managed funds.
- **Funds distribution services:** management and coordination of distribution and marketing for the co-branded retail and wholesale funds.

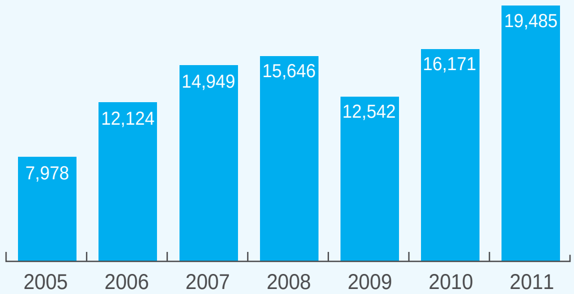
Performance

Operating revenue ($m)



Operating revenue ***up 6.4%*** *to $17.2m*

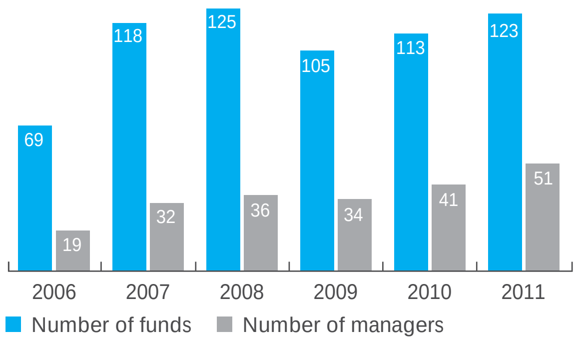
Funds under management and advice ($m)



FUM/FUA at 30 June 2011 ***up 20.5%*** *to $19,485m*

Operational highlights

Responsible Entity business



- Co-branded FUM generated strong net inflows – but skewed to defensive assets.
- In RE we added 10 new managers and 12 new funds, although several funds were closed. In total we are now RE for 51 managers and 123 funds.
- Equity Trustees nominated for 4th year in a row as S&P Product Distributor of the Year.
- PIMCO (RE and co-brand client) was nominated as S&P Fund Manager of the Year.

Outlook

- Strong interest from managers wanting to participate in the Australian funds management industry likely to continue.
- Currently five managers in RE take-on process.
- Monitoring ASIC's proposals re capital backing for REs.
- Continuing uncertainty in investment markets likely to ensure strong flows to EQT's defensive asset class products.

Superannuation

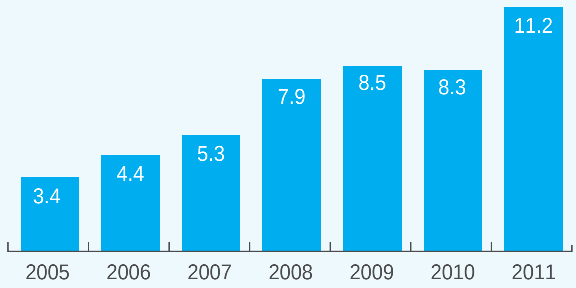
Function

Equity Super offers three master trust products:

- **Wealthpac and Apex:** target the SME corporate market.
- **Freedom of Choice:** targets the individually-driven master trust sector, but is also available for corporates.

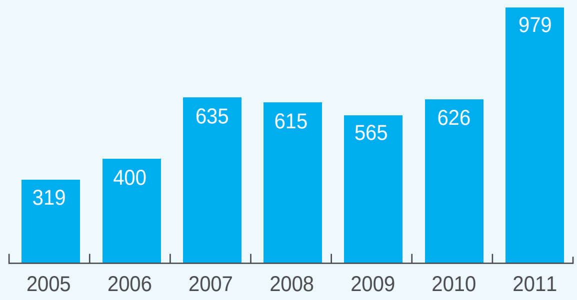
Performance

Operating revenue ($m)



*Operating revenue **up 34.9%** to $11.2m*

Funds under administration ($m)



*FUM at 30 June 2011 **up 56.9%** to $979m*

Operational highlights

- Apex super master trust acquisition contributed a significant growth in revenue and FUM.
- In June 2011, launched simpleWRAP, a full service administration wrap offering a simple and fully transparent pricing model, aimed at higher account balance or self-directed investors. It will be distributed externally through adviser-directed channels.
- Daily online account valuations for EquitySuper members were introduced with effect from 1 July 2010.
- A substantial upgrade of online functionality for both advisers and members of the Freedom of Choice master trust was successfully completed during the year.
- A fully resourced and dedicated customer service centre was established during the year which provides assistance on a variety of membership issues.
- The EquitySuper investment strategies again performed well, achieving out-performance returns for virtually all of the diversified and sector pools.

Outlook

- Changes to legislation within the industry arising from Better Super and FoFA (Future of Financial Advice) are yet to be finalised. It is likely that these changes will be far reaching and will present challenges and opportunities.
- We will be introducing an online facility within the Freedom of Choice and simpleWRAP platforms which will enable members and advisers to enter transactions for shares and fund management investments in real time.
- The changes to the superannuation environment are providing a number of new one-off business development opportunities leveraging our administration platforms and capability.
- Consolidation of custody arrangements will further reduce our fund costs.

Board of Directors

J A (Tony) Killen OAM
CHAIRMAN

BA, FAICD, FAIM

Chairman since August 2007

Non-Executive Director since September 2002

Member of Equity Trustees' Remuneration & HR Committee since September 2004

Tony is 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 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' 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 Tassal Group Ltd, Penrice Soda Holdings Limited, Pipers Brook Vineyard Pty Ltd and Kambala, a leading Australian girls' school in Sydney. He is a member of MIR Management Limited Advisory Council and also an executive director of a number of private companies involved in viticulture and investment.

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

John R McConnell
DIRECTOR

BCom, FAICD, FAIM, F Fin

Non-Executive Director since January 2002

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

John has had more than 35 years' experience in banking and finance with the ANZ Banking Group in Australia, New Zealand and the United Kingdom, where his roles included Managing Director of Corporate Banking and Retail Banking, and Deputy Managing Director of Esanda Finance Corporation Ltd.

John is a director of ASG Group Ltd. John was previously a chairman of Guilford Investments Ltd, director of Housewares International Ltd and Kew East Financial Services Ltd. He was a founding director of Family Business Australia Ltd and the Melbourne Community Foundation, and is a past member of the Epworth Medical Foundation.

Alice J M Williams
DIRECTOR

BCom, FCPA, FAICD, ASFA AIF, CFA

Non-Executive Director since September 2007

Member of Equity Trustees' Audit & Compliance Committee since September 2007

Member of Equity Trustees' Remuneration & HR Committee since July 2011. Appointed Chairman in August 2011

Alice has over 25 years of 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 and Strategic Analytics (Australia) Pty Ltd. Alice is also a council member at the Cancer Council of Victoria.

Alice was formerly a director of Victorian Funds Management Corporation, 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 since September 2008

Member of Equity Trustees' Remuneration & HR Committee since September 2008

The Hon Jeffrey Kennett AC 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.

Mr Kennett 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 President of the Hawthorn Football Club and patron of a number of community organisations.

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 since 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: Community CPS Australia Ltd, Eastwoods Pty Ltd and The Grain Growers Association Ltd. 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.

Information for Shareholders

Annual General Meeting

The Board of Directors of Equity Trustees Limited has great pleasure in inviting all shareholders of the company to attend the Annual General Meeting (AGM).

The AGM will be held on Friday, 28 October 2011 commencing at 11.00am (Australian Eastern Daylight Savings Time) at Deloitte, Level 10, 550 Bourke Street, Melbourne.

All Directors will be in attendance as will the company's external auditor. Light refreshments will be served at the conclusion of the meeting.

A separate Notice of Meeting accompanies this Shareholder Review. If you are planning to attend the meeting in person, please bring the accompanying letter with you to facilitate entry.

If you are unable to attend the AGM you are encouraged to complete the proxy voting form, which accompanies the Notice of Meeting. The proxy form should be returned in the envelope provided or else can be faxed to our share registry, Computershare, on +61 3 9473 2587.

Please ensure that all proxy forms are received no later than 11.00am on Wednesday, 26 October 2011.

Key dates for shareholders

Friday, 16 September 2011

Record date for 2011 final dividend

Friday, 14 October 2011

Payment date of 2011 final dividend

Friday, 28 October 2011 at 11.00am

Annual General Meeting
Deloitte, Level 10,
550 Bourke Street
Melbourne, Victoria 3000

Monday, 27 February 2012

Announce half-year results and interim dividend

Tuesday, 17 April 2012

Interim dividend paid

Equity Trustees' 2011 Annual Report

A copy of Equity Trustees' 2011 Annual Report has been mailed to all shareholders who have previously elected to receive a hard copy of the document.

The Annual Report can be viewed on our website: www.eqt.com.au/shareholders.aspx

In order to change your election for receipt of a hard copy of our Annual Report, or to request a hard copy be mailed to you, please contact our share registry, Computershare, as follows:

Phone: 1300 367 647 (within Australia) or
+61 3 9415 4299 (outside Australia)

Website: www.investorcentre.com

Equity Trustees Limited

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