



*Trusted since 1888*

Equity Trustees Limited  
ABN 46 004 031 298  
AFS Licence No 240975  
RSE Licence No L0003094

Level 2, 575 Bourke Street  
Melbourne Victoria 3000  
GPO Box 2307  
Melbourne Vic 3001  
Telephone (61 3) 8623 5000  
Facsimile (61 3) 8623 5200  
Email [equity@eqt.com.au](mailto:equity@eqt.com.au)  
Website [www.eqt.com.au](http://www.eqt.com.au)

24 July 2013

The Manager  
Company Announcements Office  
The Australian Securities Exchange  
Level 4, 20 Bridge Street  
Sydney, NSW 2000

Dear Sir/Madam

**Takeover Bid by Equity Trustees Limited in relation to The Trust Company Limited**

Enclosed is a letter that was sent to the Chairman of The Trust Company Limited today.

Yours faithfully

**Terry Ryan**  
**CFO and Company Secretary**

Equity Trustees Limited  
[TRyan@eqt.com.au](mailto:TRyan@eqt.com.au)  
T +61 3 8623 5372



24 July 2013



Bruce Corlett AM  
Chairman  
The Trust Company Limited  
Level 15, 20 Bond Street  
Sydney NSW 2000

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Dear Bruce,

I refer to your letter of 23 July 2013, in which you have advised that in order to fully evaluate Equity's Improved Offer, Trust Company wishes to undertake further enquiry of Equity Trustees. We welcome this step in positive engagement between our two companies and, subject to progressing the matters mentioned in this letter, wish to commence that engagement.

Equity Trustees wants to ensure that the Trust Company Board and shareholders are afforded the best opportunity to consider our Improved Offer. To facilitate this we have met on numerous occasions since February with Trust Company representatives. At your request we also provided detailed information on our plans for combining our two companies and the estimated cost synergies that would be generated, including two meetings with Ernst & Young (EY).

### **Fairness of the process**

Before embarking on the next round of discussions with Trust Company, Equity Trustees requires comfort that your Board considers there is a reasonable prospect of Equity Trustees acquiring Trust Company, including that the Board of Trust Company would consider recommending our Improved Offer to your shareholders.

Noting that you are continuing to recommend an alternative bid at this time, and with a Break Fee to PPT, without this assurance being received, and understanding on what basis you are making the recommendation, there is a significant risk that your proposed process will be an unnecessary and fruitless exercise for all concerned.

### **Access to the EY synergy assessment report**

As publicly stated, Equity Trustees remains confident that our estimated level of synergies is readily achievable. This is a significant factor for shareholders to consider in making a fully informed decision about the competing bidders. Accordingly, we would like to understand in detail the differences in assessment that have created the gap between the findings of EY (which has not been provided to us) and our own assessment. To be able to engage with you on this critical aspect we believe it is entirely reasonable that you now provide us a copy of the full EY report as relevant to Equity Trustees - that is, redacted for confidential information relating to Perpetual.

### **Revised Information Request List**

You have requested detailed information on 38 due diligence items by 31 July 2013 (attached as Appendix 1). We remain cognisant of our responsibilities to act in the best interest of Equity Trustees shareholders. Given this, we consider that many of the due diligence items now requested by Trust Company contain market sensitive and commercially confidential information.

The current position is that the Board of Trust Company continues to recommend the PPT proposal and has not provided Equity Trustees with the assurances and comfort referred to above. In these circumstances, it is difficult for us to make available highly confidential information. Obviously there is a risk that information will ultimately be available to a commercial competitor. Given this, based on advice from our independent legal and financial advisers, the current level of information requested by Trust Company is too extensive and would be commercially imprudent for us to provide.

As a result, we ask that you refine your proposed list to refocus it on a smaller number of key items that are material to Trust Company's decision making and associated shareholder consideration. In requesting this, we note that Equity Trustees has been a profitable and successful listed company for many years. Therefore, our track record and capability to successfully manage the combined group for future growth and performance can readily be assessed independently by shareholders.

### **Reciprocal Due Diligence**

The previous offer of mutual due diligence in April 2013 was conditional on Equity Trustees making a higher offer but included access to only historical information from Trust Company. In particular, we were not offered access to any forecasts, strategy or synergies.

Appreciating that circumstances have changed, to be fair to Equity Trustees, we require that a reciprocal due diligence process now be undertaken – not one way as you propose. Therefore, we request the same access and information that has been provided to the alternative bidder. This process would allow Equity Trustees to put its best position forward. This would be in the best interests of Trust Company Board and shareholders, allowing them to properly assess the alternative bidders.

Therefore in framing your revised information request list, please note that the items you seek of Equity Trustees would also be provided by Trust Company to us during a reciprocal due diligence process.

### **Next steps**

We remain of the view that a combination of Trust Company and Equity Trustees remains the best alternative for shareholders of both companies. Together, our companies have the scale and capabilities to deliver superior long-term capital returns and dividends. We would be delighted to work with you to further this mutual objective.

I look forward to receiving your response on all the matters outlined in this letter; including your assurances on the process for fairly dealing with Equity Trustees, the EY Report (redacted, as appropriate), a revised information request list and a confidentiality agreement to facilitate the reciprocal due diligence process.

In line with our corporate governance procedures, your response will then be considered by the full Board of Equity Trustees.

Yours sincerely,



**J A Killen OAM**

Chairman

Equity Trustees Limited

## **Appendix 1: List of topics to be covered**

***(as requested by Trust Company 23 July 2013)***

### **1. Current performance of the business**

- 1.1 Most recent experience for funds flows (net and gross, FUA and FUM, breakdown between cash, equities and fixed income) and client numbers. Is EQT maintaining, gaining or losing market share?
- 1.2 Near term outlook for each business
- 1.3 Impact of regulatory change on each business
- 1.4 Key business risks
- 1.5 Assessment of the potential impact of FOFA, Superstream and MySuper and any proposed actions/initiatives/implementation plans
- 1.6 Overview of risk management systems

### **2. 2013 financials**

- 2.1 Historical monthly management accounts (group and divisional) for FY13
- 2.2 Audit committee papers and external auditor's management letters for FY13 (if available)
- 2.3 CFO Report to the board for year ending 30 June 2013 (draft if final not available)
- 2.4 Schedule of any normalisation adjustments for one-off or non-recurring revenues and expenses and a reconciliation of management accounts to audited statements for FY13
- 2.5 Identification of any customer make good payments
- 2.6 Discussion with EQT's auditor

### **3. Balance sheet analysis**

- 3.1 Detailed balance sheet as at 30 June 2013 (including details of any contingent liabilities and summary of surplus assets)
- 3.2 Summary of any off-balance sheet commitments or liabilities

### **4. Capital management**

- 4.1 Detail of existing debt structure and facilities
  - Credit documentation and summary of key terms and conditions
  - Headroom available
  - Overview of security interests given by any group company
  - Compliance with covenants and other conditions
- 4.2 Analysis of working capital, capital expenditure and regulatory capital requirements (current and forecast for EQT). This should include any plans prepared as to how EQT intends to meet the new Class Orders [13/760] and [13/761]
- 4.3 Details of funding for the acquisition of TRU, implementation costs and working capital of MergeCo
- 4.4 Understanding of EQT's proposed dividend policy for EQT and for MergeCo

### **5. Strategy and business plan**

- 5.1 FY14 business plan including cash flow projections for the next 3 years
- 5.2 Strategic initiatives to be pursued internally over the next 3-5 years
- 5.3 EQT's proposed strategy for MergeCo

### **6. People**

- 6.1 Organisation structure charts
- 6.2 Performance ratings for key management
- 6.3 Talent matrix for organisation (i.e. mapping staff performance and potential)
- 6.4 Planned Board succession and proposed executive team for MergeCo

**Appendix 1: List of topics to be covered (continued)**  
**(as requested by Trust Company 23 July 2013)**

**7. Technology**

- 7.1 Overview of technology platform: infrastructure/hardware, software, systems, functionality
- 7.2 IT migration strategy (overlap, compatibility, timing, gaps, etc.)

**8. Synergies**

- 8.1 Information and analysis provided to EY to support the most recently claimed synergy numbers, including detail around claimed FTE savings in support services
- 8.2 EQT's integration plan in relation to the TRU acquisition (personnel, process, experience, culture, proposed timeframe)

**9. Legal, Risk & Compliance**

- 9.1 Details of any breaches by EQT of any licences or laws, including breaches that have been reported to a regulator and those which are unreported but reflected in a breach register (last 2 years)
- 9.2 Details of any litigation, arbitration or other investigation, proceedings or disputes against any member of the EQT Group, whether commenced or threatened, and that if adversely determined could result in a liability of \$1m or more. This applies for EQT in its personal, trustee and custodian capacity
- 9.3 Details of any allegations which have been made that EQT is in breach of its obligations as trustee or custodian
- 9.4 Summary of all licences that EQT holds and confirmation by EQT that the licences are current
- 9.5 Summary of insurance (certificate of currency, claims history)
- 9.6 Copies of any advice received in relation to regulatory approvals required to enable the acquisition of TRU, including any advice obtained in respect of ACCC clearance and copies of any correspondence or communication with the ACCC
- 9.7 Details of any regulatory enquiries or investigations that have arisen over the past 2 years and which may have a material adverse effect on EQT's business

**10. Other**

- 10.1 Confirmation that there are no other matters that have not been disclosed through this enquiry process or to the market that would impact TRU's shareholders' decision whether or not to accept the EQT offer
- 10.2 Is EQT relying on any of the carve outs to its continuous disclosure requirements?