The past year has been a challenging year for all those involved in the securities and related industries. Economic conditions have changed significantly in all areas and, with that, expectations. Computershare has been affected along with all others. The low interest rate environment, significant reduction of privatisations and demutualisations, together with a sharp decline in corporate actions has meant a difficult environment in which the company operates.

FINANCIAL RESULTS

In spite of this, your company declared steady profit levels from revenue of $758 million – an increase of 4.6%, an EBITDA result of $147.5 million and Net Profit after Tax before the preferred dividend of $57.8 million (up 5.5% before non-recurring items).

Return on shareholder equity was 11% and Normalised Earning Per Share was steady at 9.6 cents.

We increased our final dividend payment for the year from half a cent per share to 2.5 cents per share, fully franked, and we expect to pay an annual 5 cents per share fully franked dividend going forward.

We generated strong operating cash flows and maintained a healthy balance sheet. We have in fact a total funding capacity of up to $400 million for strategic opportunities without becoming over leveraged. The Annual Report, with increased disclosure at all levels, including a new section that provides management discussion and analysis – is something that we hope you have all found useful.

During the financial year we expensed $36 million of technology related research and development expenditure. This is consistent with our policy and we will continue to expense costs of this nature.

The results demonstrate that we have achieved an even spread of profit and revenue across our three regions.

OPTIONS

The Board believes that the remuneration of staff through equity ownership is an important aspect of any business. We have a significant number of options outstanding most of which are out of the money. We have incorporated Employee Share Option Plans for many of our staff and this has been well received and participated in as part of overall staff remuneration.

We are presently reviewing the most appropriate way to incentivise our people and we will look to expensing options or other equity incentives when industry standards are defined.

In the current year if options issued had been expensed our EBITDA would have been reduced by 2%.
OPERATIONS AND KEY APPOINTMENTS

During the course of the financial year we acquired additional registry businesses in Australia, New Zealand and in South Africa; we entered into joint ventures with Deutsche Börse and Hong Kong Stock Exchange and since that time we have also announced a strategic alliance with Citigroup in the USA. It has been 10 weeks since this agreement and we view this as a longer term alliance to provide Computershare with a wider range of opportunities in the US.

A significant feature of the year has been a review of people, processes and costs across all businesses in each country. A major outcome was our new global management structure dividing our business into three operating divisions, Europe (United Kingdom, Ireland and South Africa), North America (United States and Canada) and Asia Pacific (Australia, New Zealand and Hong Kong). To lead these businesses we made a number of new appointments aimed at boosting skill levels within all businesses. The regional Managing Directors are here today and will make themselves known as I introduce them to you. They are Iain Saville (Europe, Middle East and Africa), Steven Rothbloom (North America) and Stuart Crosby (Asia Pacific).

They are responsible for profitability of all businesses within their region with a focus on marketing Computershare’s core strengths of technology, and global integrated product offerings.

We have also made three further corporate appointments during the year. Tom Honan as Chief Financial Officer. He brings a good deal of experience with international operations and, upon his return from the US, Paul Tobin has taken up his position as Company Secretary and Chief Legal Officer. Paul, for this last year, has been working with the US Operations and also brings an international approach to this position. Paul Conn is appointed as Head of Global Services and Analytics. Within this role Paul has the responsibility for pursuing global securities opportunities as well as integrating the three regional analytics businesses. Paul is based in New York.

The appointments strengthen the overall management of the company so that we are no longer reliant on one or two key people, but we have a number of skilled and enthusiastic people to grow the business and to ensure its success in the future.

The company is on track to have its proprietary software, the SCRIP system, throughout its major registry businesses in early 2003. The US migration is now complete and the Canadian migration has already commenced. Following this, Computershare will be positioned to deliver efficiencies and benefits to the company’s clients across the regions in which they operate.

A key element of our strategy during this past year has been to position our company to best meet the short-term challenges of depressed trading conditions whilst keeping our sights set towards our longer term strategic aims. We believe that the changes we have made to our organisational structure and the continued improvements in prudent fiscal controls are important factors in helping us to achieve this objective.

AUDITOR

Due to the well published problems faced by Arthur Andersen during the year, we appointed Pricewaterhouse Coopers (PwC) as our auditors. As part of this appointment, the Board and PwC have instituted a policy to ensure the independence of our external audit. The Board and PwC have agreed that where PwC are to be considered for non-external audit tasks, any individual project that is greater than 10% of the annual audit fee requires CPU Board approval. The policy also states that the total
non-external audit work performed by PwC will be subject to a limit of 40% of the annual audit fee in any one year – again subject to the discretion of the CPU Board. Computershare and PwC have put reporting procedures in place to enable communication between offshore Computershare and PwC offices and the controlling PwC office in Melbourne.

SHARE BUY BACK

As you will be aware, we announced a share buy back on 28th August 2002 with the release of our results. As at the end of October, we have acquired a little over 8.7 million shares, representing 1.58% of the capital of the company at a cost of $19.5 million (Average Price = $2.23).

OUTLOOK

Our long-term strategy remains unchanged and our competitive advantage, as the only true global provider of issuer and investor related services, has been further strengthened by our achievements this year. Our aims are to achieve and maintain market leadership in countries where we operate, to sustain high rates of growth and attractive returns from our investments and integrated technology platform, and to continue to expand geographically.

Our three key objectives for this year are:

In all regions, to continue organic growth in share registry (transfer agency), Plans, Analytics and Document Services.

To strategically move forward in the UK, mainland Europe and the US through acquisition and/or affiliation.

To continue to innovate and ensure we remain the service provider of choice.

This year, from our management accounts, the first quarter results have been well below expectations but we have seen an improvement in October. Accordingly the results for the first half will be around 25% below the first half of last year when economic conditions were significantly better.

However, as organisational restructuring continues together with reduced dependence on outside bureau fees and general cost reduction programs, these will begin to deliver substantial benefits in the second half.

In this uncertain market it is difficult to predict the full year, but with reduced costs and a slight improvement to trading conditions we expect to be close to last year’s results.

I would like to thank all staff for their commitment to the company during this difficult year and to my fellow Directors who are now spending more time with the company as we have board meetings and operational visits in each of our regions, including Australia each year.

A. S. Murdoch
Chairman