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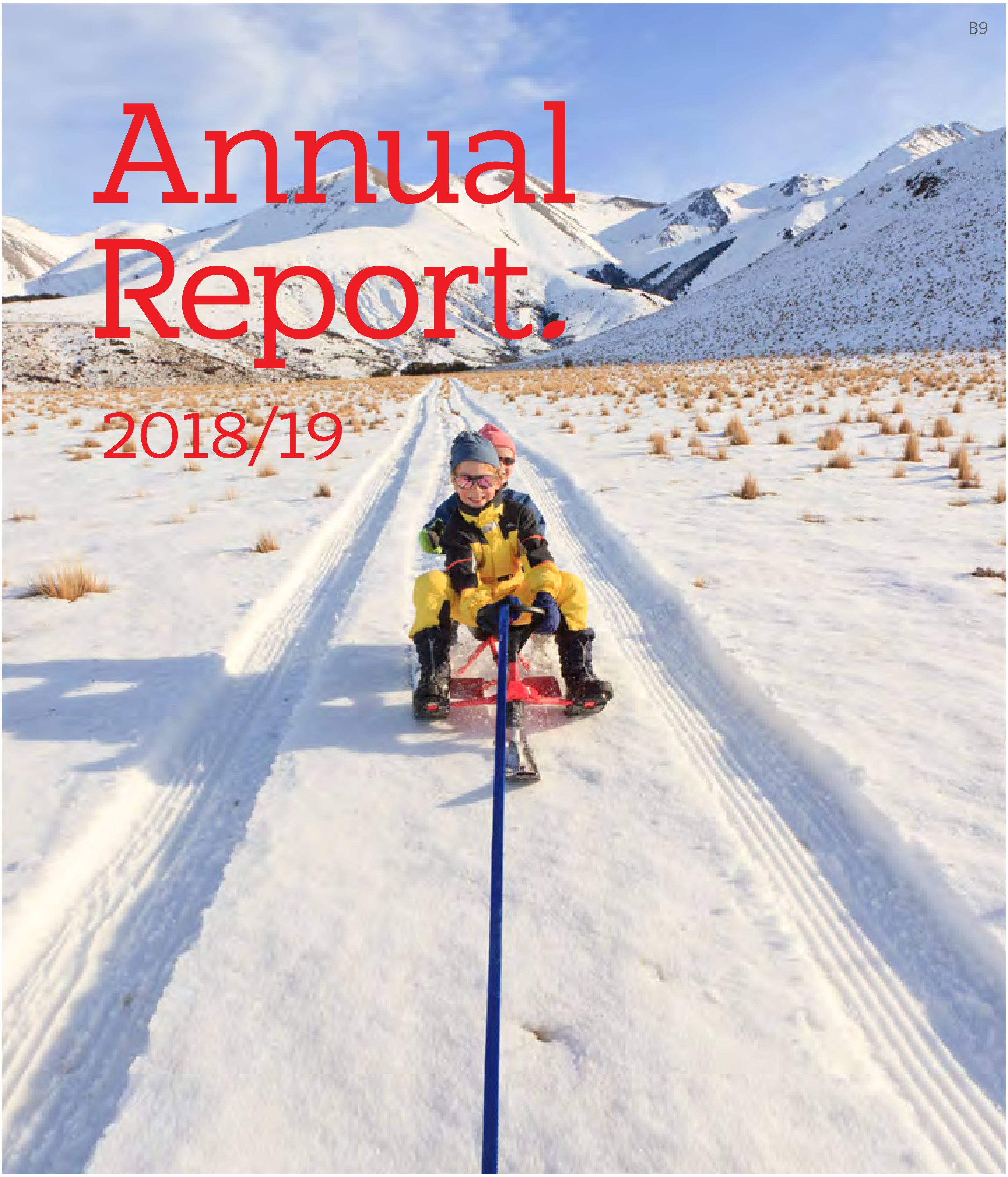


Annual Report.

2018/19

publictrust.co.nz

Public Trust

Under the Public Trust Act 2001, our required principal objective is to operate as an effective business. To this end, we need to:

- be as efficient as comparable businesses that are not owned by the Crown
- prudently manage our assets and liabilities
- maintain financial viability in the long term
- be a good employer
- be an organisation that exhibits a sense of social responsibility by having regard to the interests of the communities in which we operate.

This report covers the activities for the year ended 30 June 2019 and has been prepared to meet the requirements of:

- Section 150 of the Crown Entities Act 2004
- Public Trust's 2016 Statement of Intent.

On behalf of the Board, we have the pleasure of presenting the annual report of Public Trust for the year 1 July 2018 to 30 June 2019.

Ian Fitzgerald
Chair
10 September 2019

Graham Naylor
Chair
Audit and Risk Committee

Contents

Report from the Chair and Chief Executive

The year in review with Ian Fitzgerald, Chair.

The 2018/19 year has been one of significant change and also success for Public Trust. I want to start by saying a huge thank you to all our people for their efforts this year. You've delivered great work, and your commitment and contributions to our business are greatly appreciated.

In June, Bob Smith retired from his role of Chief Executive after 5 years with the organisation. Bob made a considerable contribution to Public Trust. His clear vision and strong leadership set the business on its current path through a focus on simplification and returning to our core business of providing trustee services. I want to take this opportunity to thank Bob for all he's done to set our business up for a successful future.

I also want to acknowledge the contribution from two Directors, Dianne Williams and Simon Craddock, who left the Board during the year. In their place, Vicki Sykes and Kirsty Campbell have joined us as new Directors.

Welcoming Glenys Talivai

In March 2019, Glenys Talivai took up the role of Chief Executive. Glenys joined Public Trust from Tower Insurance, where she was General Manager – Customer Acquisition, Retention and Claims. Glenys has already had a very positive impact on the organisation through her strong, people-focused leadership. The Board is looking forward to working with her and the Executive Team as we take this business on the next phase of our transformation journey.

A clear sense of purpose

The principal objective behind the formation of Public Trust in 1873 was helping New Zealanders to protect their assets and their loved ones.

Over 145 years on, this need remains highly relevant, and the goals we've set for our organisation will help us fulfil the important role we have in all our communities well into the future.

Continuing to do more for our customers, their families and the wider New Zealand community also means we'll live up to our Maori name, Te Tari Tiaki Iwi, which translates as 'the organisation that takes care of people'.

Sustainable success

Public Trust has again delivered positive financial results. We saw underlying growth of 10% in our Retail business, and strong returns in both our Corporate Trustee Services and Investments businesses contributed to overall revenue growth.

Through a focus on smart systems and processes, culture and capability and strong risk frameworks, we're setting ourselves up for sustainable success and the ability to positively impact New Zealanders' lives well into the future.

It's been a pivotal year for Public Trust, and I look forward to working alongside Glenys and the rest of the Public Trust team as we elevate our customers' experience and continue to earn their enduring trust.

Kind regards

Ian Fitzgerald
Chair

Looking to the future with Glenys Talivai, Chief Executive.

I feel hugely privileged to have joined Public Trust in the role of Chief Executive at such a crucial time in our history. After 5 years of major transformation work, the business is gaining traction with positive financial outcomes and clear focus. We've reached a turning point and are ready to build on strong foundations.

A customer-centric strategy

To help us prepare New Zealanders for their future, we'll be looking to industries outside our own and learning new ways of thinking to deliver great outcomes for our customers and ensure we're living up to the promises we make to them.

Our ambitions are to deliver growth in our Retail business, strengthen our supervisory advice in Corporate Trustee Services and provide quality advice and performance outcomes for our fiduciary customers' investments.

New digital solutions will help us connect even more New Zealanders to our services. By leveraging technology, we'll be able to give our customers greater flexibility and convenience in their interactions with us, as well as creating more time for our people to dedicate to helping New Zealanders.

We've set clear performance outcomes that we'll hold ourselves to account for and keep clearly in mind through all our strategic decisions.

Growing great leaders and connecting to our people

Building a successful, sustainable future for Public Trust begins with great leadership. We'll continue to develop the capabilities of our leaders as we create an environment in which our people thrive.

We want our people to be engaged in their work and to get the development opportunities they need to continue their careers with us and be part of how we shape our future.

A secure future for all New Zealanders

We don't take our responsibilities of trusteeship lightly, and with the Trusts Act 2019 now passed, we'll continue to support our customers' understanding of the changes and any decisions they'll need to make.

Public Trust is ideally placed for industry leadership in educating New Zealanders about the importance of estate and legacy planning, including acting as trusted advisers through the period in which our customers' retirement savings are experiencing exponential growth.

Fostering a diverse and inclusive culture will support us in our leadership ambition as we'll be better able to serve and connect to our diverse New Zealand communities.

Public Trust is in a privileged position to be able to influence how Kiwis preserve their present and secure their future. It's a noble purpose that's shared by all our people and, as we look to a successful future, one that will be brought even more sharply into focus.

Ngā mihi

Glenys Talivai
Chief Executive

Our Board

Our Board is currently made up of seven members who have backgrounds in law, commerce, economics, human resources and accounting.

Bevan Killick
Member Audit and Risk, Human Resources and Remuneration Committees

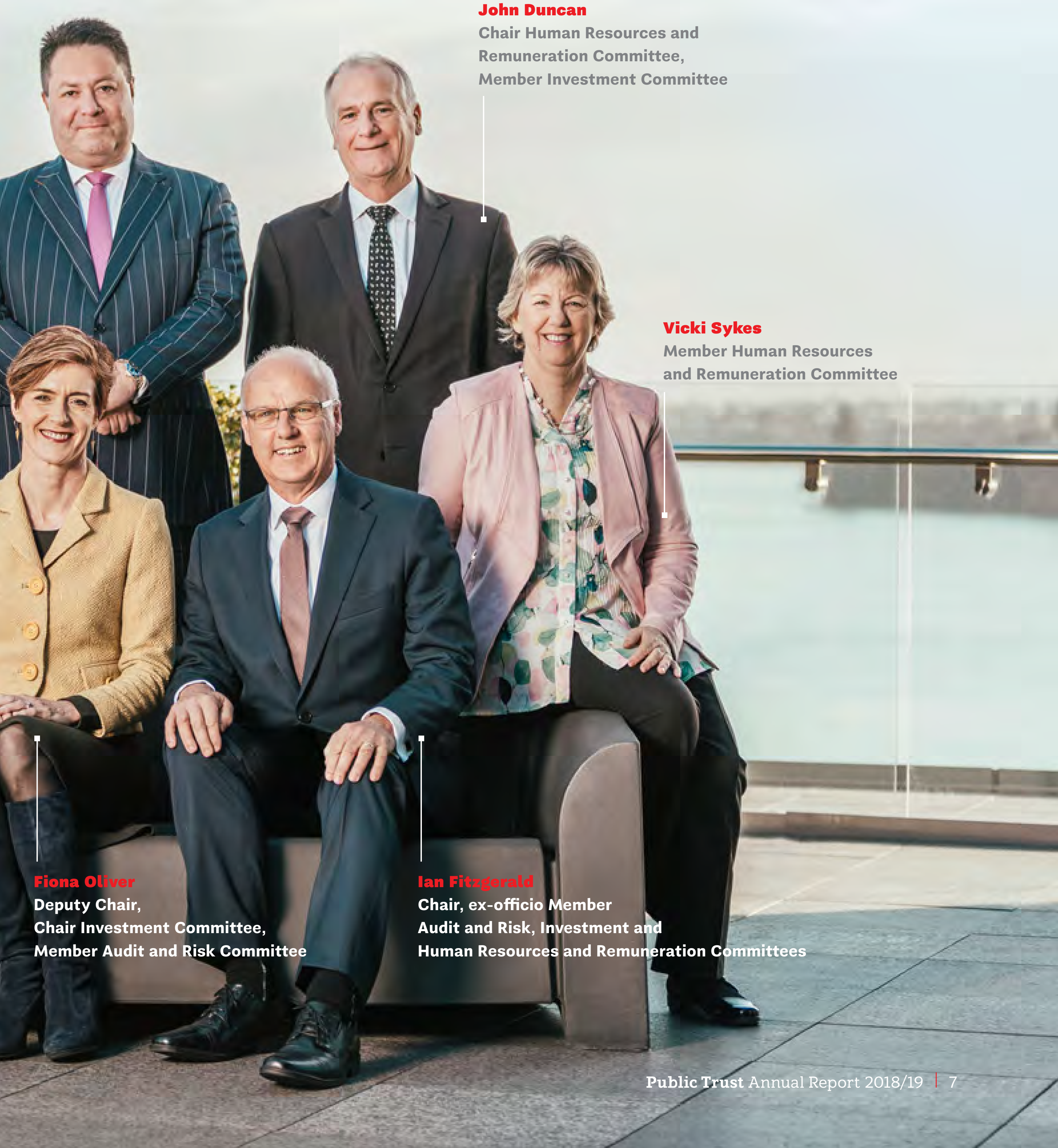
Graham Naylor
Chair Audit and Risk Committee

Kirsty Campbell
Member Investment Committee

Chaired by Ian Fitzgerald, the Board comprises Fiona Oliver (Deputy Chair), John Duncan, Bevan Killick, Graham Naylor, Kirsty Campbell and Vicki Sykes.

The Board has responsibility for the affairs and activities of Public Trust and recognises the importance of focusing on governance of the business and value growth, rather than the day-to-day management of the business.

The Chief Executive is charged with the day-to-day management of Public Trust and provides the principal link between the Board and management, acting within authorities delegated by the Board.



John Duncan
Chair Human Resources and Remuneration Committee, Member Investment Committee

Vicki Sykes
Member Human Resources and Remuneration Committee

Fiona Oliver
Deputy Chair, Chair Investment Committee, Member Audit and Risk Committee

Ian Fitzgerald
Chair, ex-officio Member Audit and Risk, Investment and Human Resources and Remuneration Committees

Corporate governance

This section reports on our corporate governance framework. We have adopted the principles and recommendations set out in the Financial Markets Authority (FMA) handbook *Corporate Governance in New Zealand: Principles and Guidelines* issued in February 2018. These are addressed in the section below and throughout the report.

1 Ethical standards

The Board operates under a charter that states members must comply with the express terms and spirit of their statutory obligations to Public Trust, including acting honestly, in good faith and in what they reasonably believe to be our best interests.

The Board must also comply with Public Trust's Ethics Framework and Code of Conduct Policy and are provided with reports that detail any significant employee breaches of the framework and policy. These documents have been developed with external guidance from KPMG and the State Services Commission.

Each of these documents is available on our website at publictrust.co.nz/about/corporate-governance and reflects the FMA principles and guidelines in so far as they are applicable to Public Trust

2 Board composition and performance

The structure of the Board is set out in the Public Trust Act 2001 and the Crown Entities Act 2004. Members are independent from Public Trust's Executive Team and are appointed and removed by our Responsible Ministers: the Minister of Justice (which has been delegated to the Associate Minister of Justice) together with the Minister of Finance. This process is managed by Treasury, in consultation with the Chair, in keeping with the appointment process for Crown entities.

The performance of the Board, committees and members is evaluated on a regular basis. To help develop our Board and enable them to deliver market-leading Board of Director services, a Board performance assessment is facilitated regularly.

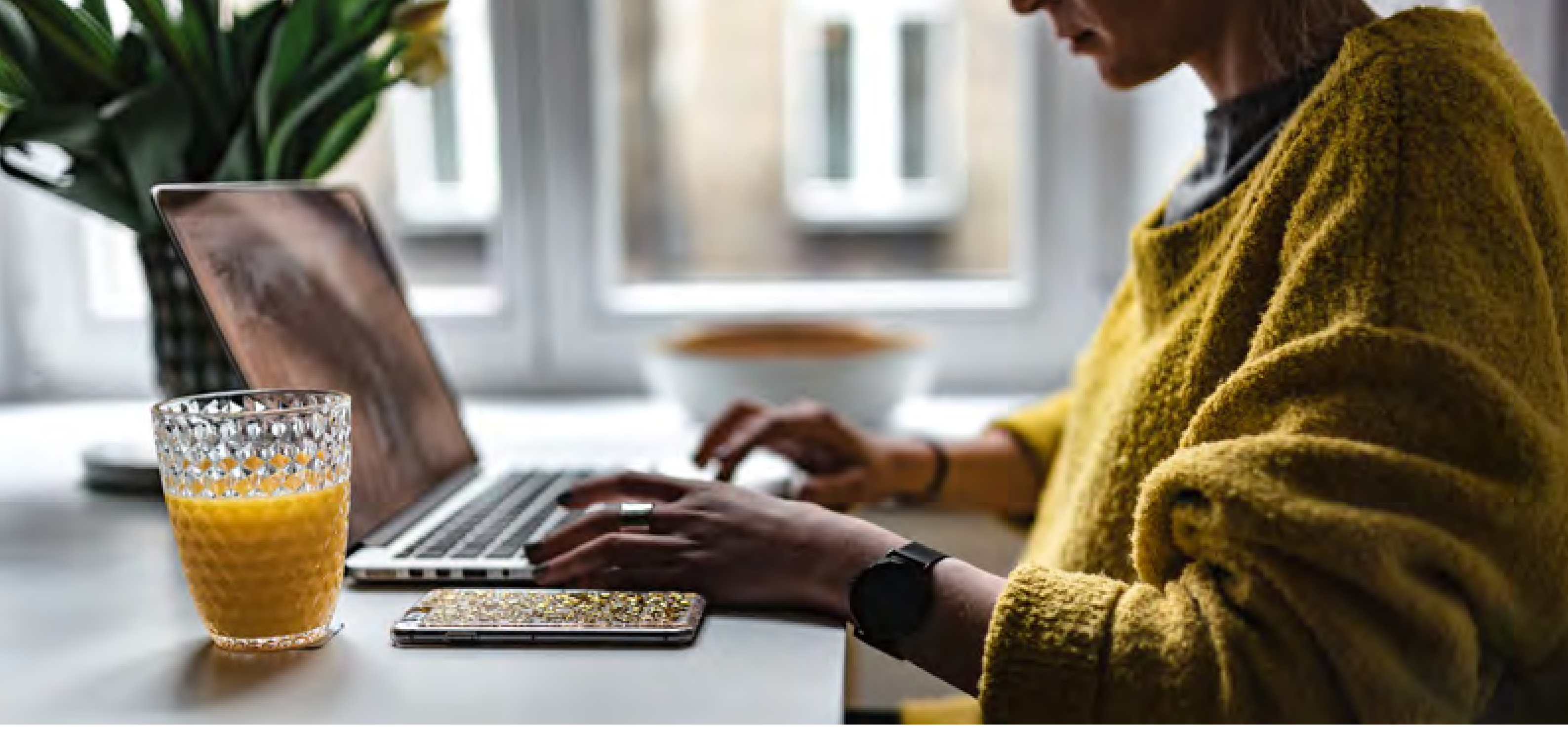
All new Board members are provided with a comprehensive Board manual and undergo a formal induction. This includes attending the Treasury's induction programme, sessions with the Executive Team and site visits. Board members also undertake further education and training as necessary to ensure they have the skills and expertise needed to carry out their responsibilities.

3 Board committees

The Board had three standing committees during the reporting period: the Audit and Risk Committee, Investment Committee and Human Resources and Remuneration Committee.

Each committee has a charter that sets out its roles, responsibilities, composition and structure. Charters are reviewed annually and are available on our website at publictrust.co.nz/about/corporate-governance.

The Board retains oversight of the committees and is kept informed of any recommendations, issues and activities. Committee decisions are reported to the Board at the next Board meeting.



4 Reporting and disclosure

We have specific reporting requirements we must meet as a Crown entity and produce the following documents:

- Our Statement of Intent sets out our strategic objectives and performance measures over a 4-year period.
- Our Statement of Performance Expectations supports our Statement of Intent by providing detailed information about our planned outputs and desired results.
- Our Annual Report details our performance and progress against our Statement of Intent and Statement of Performance Expectations.

These documents are all available on our website at publictrust.co.nz/more-information/publications.

The Audit and Risk Committee assists with ensuring the integrity of our financial reporting by overseeing and providing advice to the Board on Public Trust's financial statements.

We have internal controls in place that support the preparation of quality financial statements. This includes a system of policies and procedures, adherence to standard New Zealand accounting practices, employing appropriately qualified and experienced personnel, the use of independent auditors and seeking guidance from other professional organisations as required.

5 Remuneration

The remuneration of Board members is set by the Responsible Ministers in accordance with the State Services Commission's Cabinet Fees Framework and, as such, is independent from Public Trust.

The Human Resources and Remuneration Committee assists the Board in respect of the Chief Executive's employment conditions and remuneration. Each year prior to the Chief Executive's remuneration review, the Board consults with the State Services Commission, which provides advice regarding expectations and remuneration movement. The committee also makes recommendations to the Board regarding Executive Team appointments, employment conditions, remuneration and performance assessment.

6 Risk management

Public Trust's Statement of Intent details how risk is managed and highlights key risks faced by the business and their respective mitigants. We have implemented a three lines of defence model to enhance risk management practices and assurance across Public Trust.

The Audit and Risk Committee has transitioned to quarterly reporting on preventable risks, compliance, regulations and key internal policies for controlling risk, and the Board regularly reviews all material strategic and external risks faced by Public Trust. The Executive Team has escalation processes in place to ensure the Board remains informed of significant compliance and risk issues.

7 Auditors

Our external audits are overseen by the Audit and Risk Committee and undertaken by the Auditor-General, who has appointed Emma Winsloe of Ernst & Young to carry these out for a term of 3 years ending on or before 30 June 2021.

The external auditors have the opportunity to meet with the Audit and Risk Committee independently of management at least four times per year.

During the year, the external auditors carried out the following non-audit work:

- Assurance services relating to compliance with anti-money laundering and countering financing of terrorism regulations.
- Remuneration benchmarking services.

The Board is satisfied that this work did not compromise the auditors' objectivity and independence as it was either consistent with the other audit services provided or outside the ambit of the audit. The Office of the Auditor-General also limits how much non-audit work can be performed by Public Trust's external auditors.

8 Shareholder relations and stakeholder interests

Public Trust is an autonomous Crown entity and, as a result, may be directed by the Responsible Ministers to have regard to government policy that relates to our functions and objectives. We can also be directed to give effect to a whole-of-government approach by the Ministers of Finance and State Services.

We have a 'no surprises' policy between the Executive Team and our Board and between the Board and the Associate Minister of Justice.

The Board Chair meets with the Minister and attends Select Committee meetings as required. We provide quarterly reports to the Minister on matters of note and as necessary when other matters arise. In addition to this, our Chief Executive and Chief Financial and Information Officer meet with Treasury officials each quarter.

We are responsible for delivering positive outcomes to a wide range of stakeholders.

Our Ethics Framework and Code of Conduct Policy guide how we interact with our customers, employees, Responsible Ministers, partners and the communities we serve.

Information on our goals, strategies and performance is also contained in:

- the shareholder letter of expectations
- our Statement of Intent
- our Statement of Performance Expectations.

Te Tari Tiaki Iwi – the organisation that takes care of people

What we do for New Zealand

New Zealanders need to be better prepared and protected, and our ageing population needs more support. Our services help Kiwis protect what they have today, secure their future and play a part in building a stronger New Zealand.

Estate planning and management

We provide guidance to New Zealanders to ensure that the people and things that matter the most to them are taken care of after they have passed away. We work with our customers to maintain and review their estate plans to ensure they remain relevant and up to date over their lifetime. This might include:

- wills advice and drafting
- putting in place enduring powers of attorney that specify who can take care of a customer's personal or financial matters if they cannot
- advice on setting up and maintaining family, inheritance, prepaid funeral and charitable trusts.

Estate administration

We administer and manage immediately distributable and ongoing estates, carrying out the wishes of customers as set out in their wills to ensure assets are transferred to beneficiaries as smoothly and efficiently as possible. We are the largest estate administrator in the country, and it is our core business activity.

Executor Assist advisory service

We work with lawyers and private executors to help them with some or all of the tasks associated with being an executor. We complete probate applications, collect assets, pay liabilities, complete tax returns and completely manage estates on behalf of executors if required.

Charities

We are one of New Zealand's largest charitable trust administrators and advisers. We help over 410 charities and have strong experience in charitable gifting and the establishment of charitable trusts and purposes. We manage many different asset types, including New Zealand's largest training farm, Smedley Station.

Personal Assist

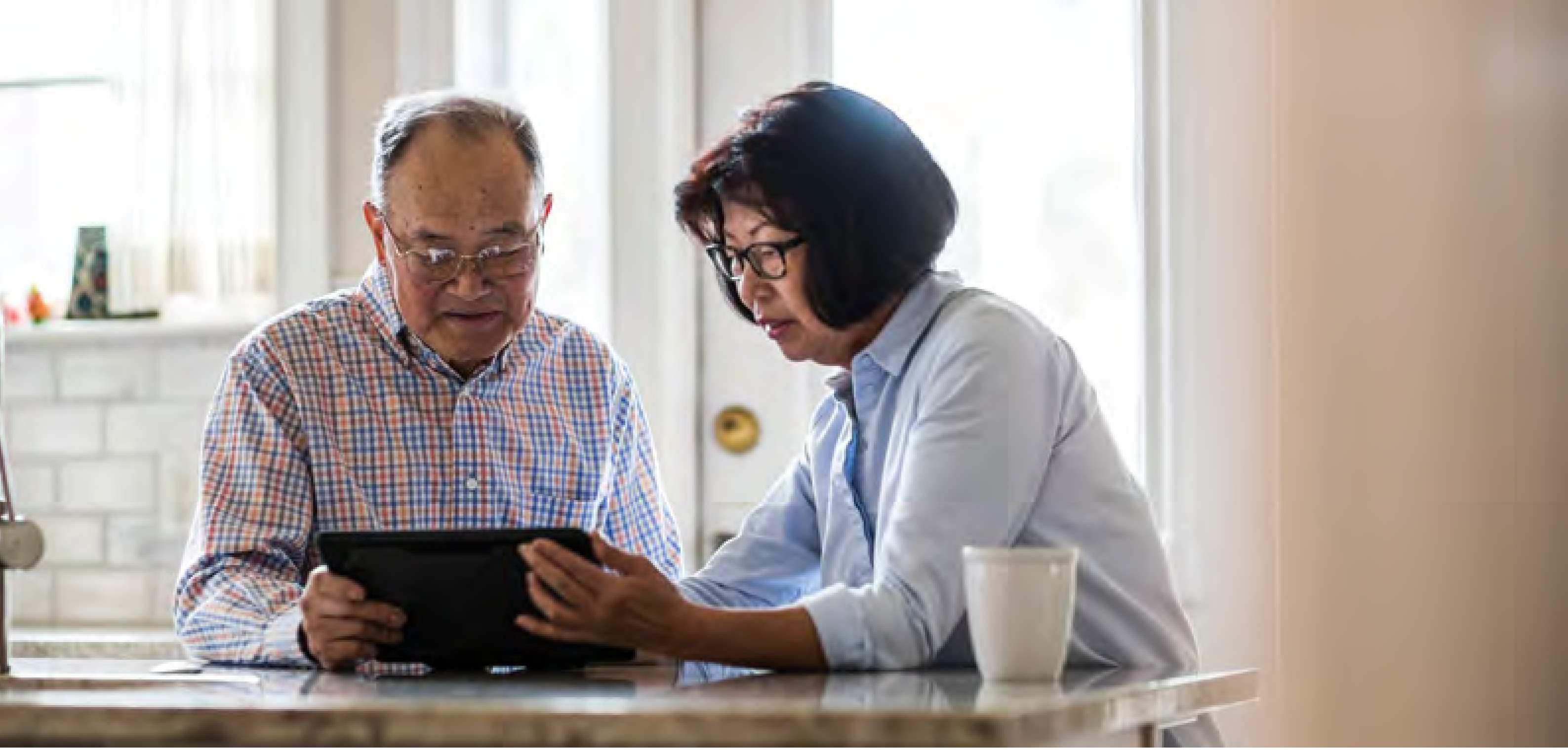
We offer a tailored personal management service called Personal Assist where we help customers who are not able to help themselves manage their financial and property matters, including paying bills, managing bank accounts, buying or selling assets, arranging caregiving or home repairs and applying for pensions.

Personal management services under the Protection of Personal and Property Rights Act

We provide personal management services under the Protection of Personal and Property Rights Act 1988. This involves Public Trust being appointed by court order as the property manager for customers who no longer have mental capacity to manage their own affairs.

Services to tertiary education

We safeguard student fees on behalf of private training establishments through our Fee Protect service. This service protects students from losses outside of their control (for example, due to closure or insolvency of a course provider). We currently safeguard the course fees of over 35,000 students through this service.



Investment services for fiduciary customers

We provide investment management services to a range of customers ensuring they can access effective and appropriate advice. We offer an on-call deposit account to meet customers' short-term saving needs and an investment funds management service to meet customers' long-term investing needs.

Our Common Fund is subject to strict investment guidelines and contains money from trust accounts of fiduciary customers. As such, we take a conservative approach to managing our Common Fund investments, and all investment activity is governed by the Public Trust Investment Committee.

We aim to achieve best-in-class investment results for our clients after taking into consideration our clients' investment horizons and appetite for risk.

Positively impacting New Zealanders' lives

Under various statutes, we have specific responsibilities in relation to providing protective fiduciary services to New Zealanders. This includes estate management services or personal property management for customers with only a small amount of liquid assets. Public Trust also audits statements filed by private property managers under the Protection of Personal and Property Rights Act. We receive funding from the Ministry of Justice for these services.

We are also required, in some instances, to act as trustee of last resort and provide fiduciary services to individuals when there is no other provider or when their needs are unlikely to be met by private sector trustee organisations.

Corporate Trustee Services

Public Trust has a specialised corporate trustee team that supervises a number of New Zealand businesses to help ensure consumer and investor trust in the financial system.

Licensed under the Financial Markets Supervisors Act 2011, we supervise more than $90 billion in assets – monitoring and protecting the collective interests of investors in KiwiSaver schemes, managed investment schemes, superannuation schemes and public debt issues – and act as a statutory supervisor for retirement villages.

We also act as corporate trustee in a number of structured finance, securitisation of assets and wholesale funds by holding assets in trust in accordance with trust deeds.

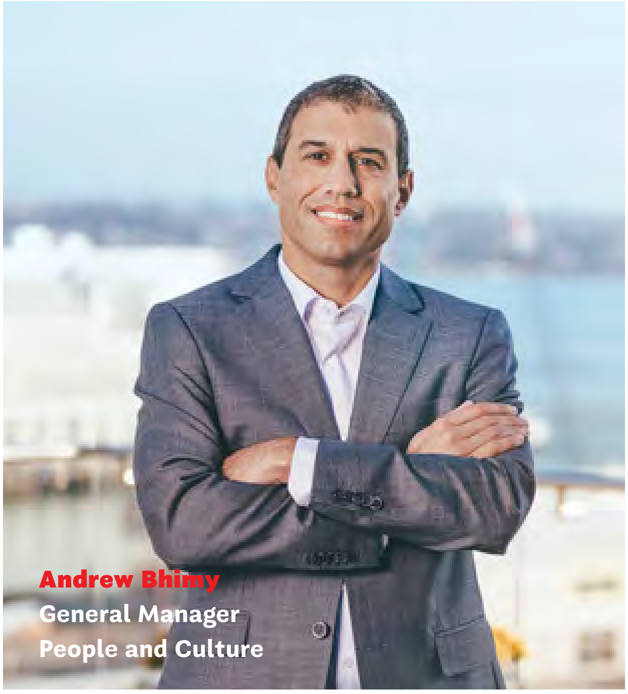
We provide custodial services to a wide variety of clients in the New Zealand market. In addition to holding securities for safekeeping, we are also responsible for trade and cash transactions, settlements, the collection of dividends and interest payments, tax support, reconciliations, foreign exchange and regular reporting to clients.

Our role in protecting New Zealand's retirement savings

Public Trust currently supervises eight KiwiSaver scheme providers and 11 superannuation scheme providers that have approximately $25 billion of assets under management.

Who we are

Glenys Talivai
Chief Executive Officer



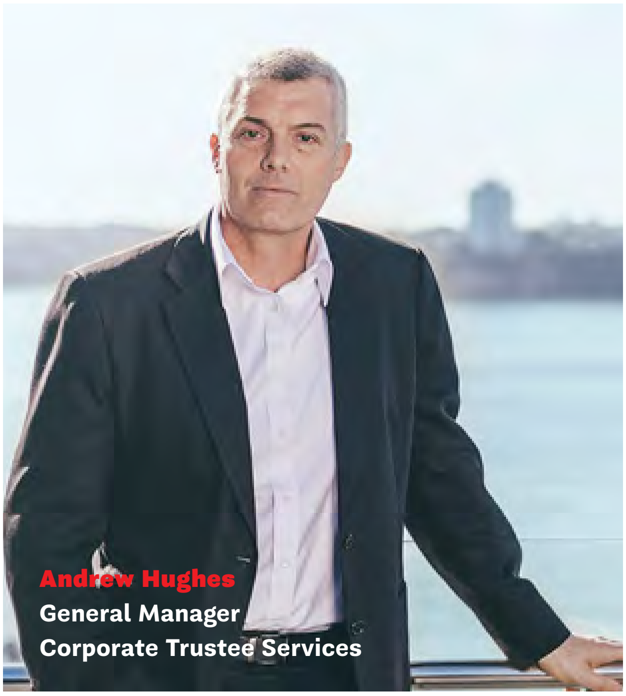
Andrew Bhimy
General Manager
People and Culture

Angela Dixon
Chief Financial
and Information Officer

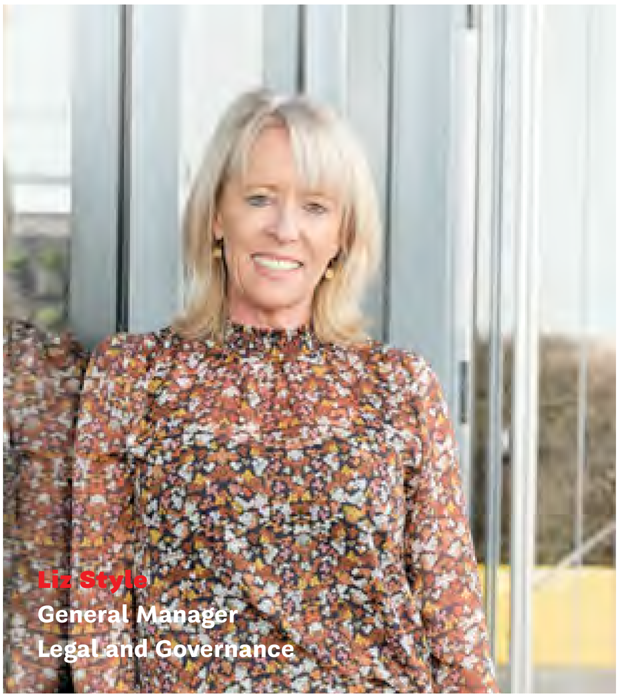
Our Executive Team members have a wide range of commercial skills and experience from roles in New Zealand and overseas.

Vicki Nuttall
Chief Risk Officer

Julian Travaglia
General Manager
Retail



Andrew Hughes
General Manager
Corporate Trustee Services



Liz Style
General Manager
Legal and Governance

Our people and where we are in New Zealand

Our workforce of 370* people is spread throughout the country in customer centres and appointment-only sites to better enable us to connect with our customers. Our contact centre is located in Christchurch, and we have corporate offices in Auckland, Wellington and Christchurch.

The diversity of our people reflects New Zealand's diverse population. We have employees between the ages of 20 and 67 from a range of ethnicities and with experience in many industries, including technology, financial services, local government, law and banking.

*Not including contract, casual workforce or employees on parental leave.

Workforce percentages

85% Permanent full-time

7% Permanent part-time

6% Temporary full-time

2% Temporary part-time

Average service length 6.5 years

Gender split percentages

Employees in non-leadership roles

70% Women

30% Men

Leaders

53% Women

47% Men

Age ranges and percentages

18% 19–29

21% 30–39

23% 40–49

30% 50–59

8% 60+

Ethnicities and percentages

57% New Zealand European/Pākehā

10% Asian

1% British/Irish

1% New Zealand Māori

4% Pacific Islander

1% Australian

26% Other/ Not disclosed

370 people

26 customer centres

Our people's experience of working at Public Trust

As we continue to transform our business, we're investing significantly in our people and culture. Our commitment to being a good employer is reflected in our membership of the Equal Employment Opportunities (EEO) Trust and our supporting policies and frameworks: EEO and Diversity Policy, Ethics Framework and Code of Conduct Policy.

Culture and engagement

Our culture is a key driver of our performance and how we're achieving our strategic objectives. We measure our engagement through our annual Compass employee feedback survey, which gives us valuable insights into our people's experience of working at Public Trust.

We strengthen our culture through how we communicate, recognise and reward our people for their contributions, manage performance and develop their skills and capabilities.

Employee and leadership development

We've continued to make a significant investment in our people's technical and leadership capability including learning about fundamental leadership practices, a Learning Academy for new starters in our Retail business and ongoing certification for key estate management solutions.

Developing our people's capability through certification promotes our focus on continuous development and supports our career succession plans.

Health, safety and wellbeing

Health, safety and wellbeing is a top priority for Public Trust and we want all of our people to work in a safe environment where their wellbeing is supported.

Our 3-year health, safety and wellbeing plan focuses on creating a working environment where our people are empowered to take action and be responsible for their own health and safety and that of others. We've already achieved a lot, with more initiatives under way.

In partnership with Southern Cross, we now have a strategy and programme to support our people's wellbeing. All of our people and leaders complete an annual e-learning module on staying safe at work, and a personal safety training programme is under way.

We have health and safety plans in place for all farms that are managed directly by us, and we're about to implement an external audit programme for our farms.

Our Executive Team and Board have been taken through health and safety leadership sessions, and critical risks have been identified for Public Trust with appropriate controls established. Replacement of our existing health and safety software has been agreed, and we've rolled out a refreshed health and safety induction process.

We're proud of our inclusive and proactive approach to health, safety and wellbeing and believe that all of our people should return home healthy and safe every day.

Recruitment and selection

Our recruitment practices ensure we're consistent in hiring the right people for Public Trust across all of our central and regional locations. For us, team and cultural fit are as important as the skills and experience a person brings to their role. Our HR team works in partnership with our leaders to help with their selection, and we're building resources and training for leaders that include bias awareness.

Our recruitment capability and processes help to reduce costs and time to hire new employees and attract the best possible candidates.

Diversity and inclusion

A diverse and inclusive workforce is important for innovation in our business practices as well as helping us connect with our customers. We adopt a diversity lens in our recruitment practices and actively seek to create an inclusive environment in which we can optimise the range of professional and life experiences that our people bring to their work.

Flexible working

A flexible approach to how, where and when our people work is balanced with a focus on meeting our business objectives. We're continuing to upgrade our technology and engage with our people and leaders on how we can shape work schedules to fit a range of needs and lifestyles.

Part-time and flexible working hours are available, and technology supports the ability of most of our people to work remotely, including from home.

Discrimination, harassment and bullying

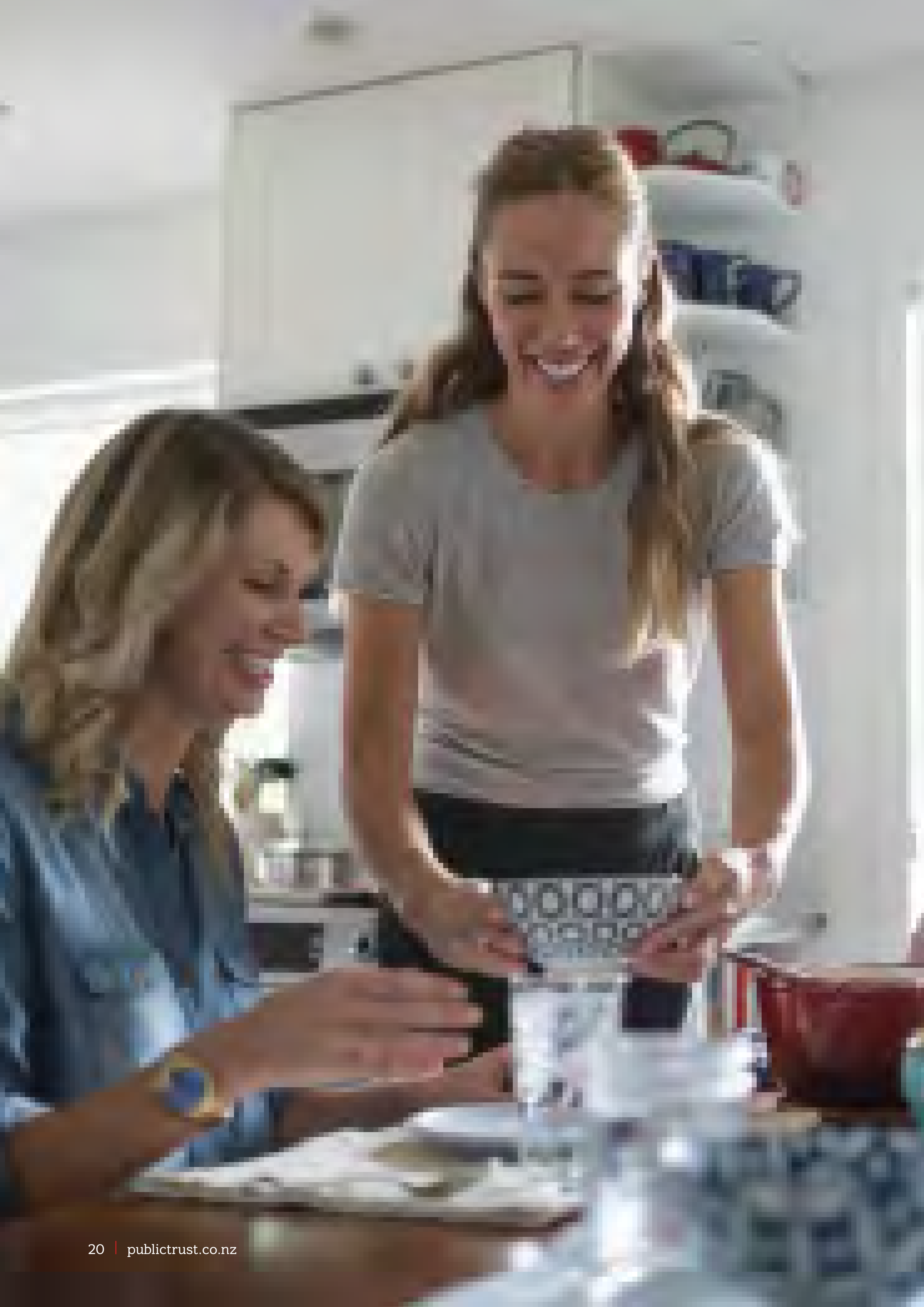
Public Trust promotes an environment that fosters good and safe working practices. Discrimination, harassment and bullying are not tolerated, and we have embedded a number of policies to support our active management of any inappropriate behaviour.

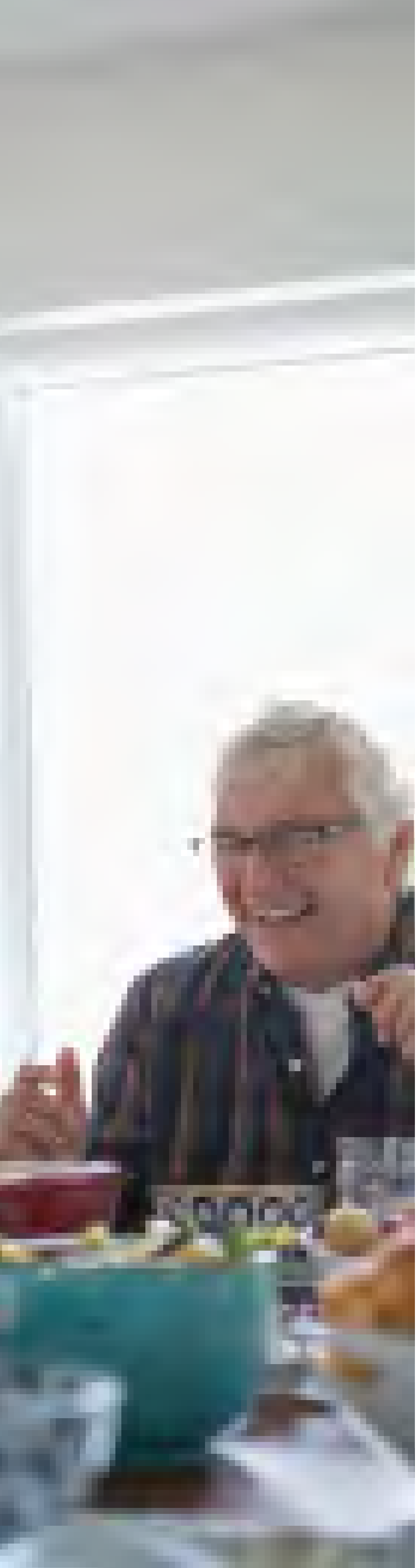
Leaders are encouraged to support their people's understanding of the behaviours required at Public Trust, and we have frameworks for carrying out investigation and disciplinary action as needed.

Risk and compliance

We have a Compliance and Risk Framework that uses risk assessment techniques to identify and control material risks in the business through policies, procedures and other controls, combined with control monitoring and regulatory analysis to ensure internal policies and external regulations are being complied with and are effective in managing risk.

Alongside this, we have a three lines of defence model to enhance our risk identification and management, improve our risk reporting and strengthen our risk culture.





How we are doing

Public Trust has spent the last 5 years investing time and resources into the business and its people as part of a strategy to improve operational performance and transform the customer experience.

We remain strongly committed to taking a leadership role in estate planning and trustee services in New Zealand and continue to seek out opportunities to further improve what we offer to ensure a strong, future-focused, customer-centric business. New Zealanders need the services we can provide more than ever with an ageing population, growing dementia rates and an increasing trend towards more blended families.

Our four strategic goals outlined in our 2016-2020 Statement of Intent are:

- Market share: provide trustee services to more New Zealanders.
- Productivity: build a sustainable and profitable business by working smarter.
- Customer satisfaction: make every customer interaction one worth sharing.
- Business to business: be a trusted partner of New Zealand businesses.

In this section, we take a closer look at how we have tracked against each of these goals and review the actions taken, measures for success and the outcomes.

Our progress against each strategic goal

Market share

Productivity

Customer satisfaction

Business to business

Market share

Current goal: Provide trustee services to more New Zealanders.

The actions we have taken:

- Enhanced our understanding of the needs of potential customers to better reach those in need of estate planning services.
- Raised our company profile through community and communications initiatives.
- Researched and built a Personal Assist campaign targeted at caregivers.

Helping convert the 'possibles'

A design sprint on estate planning education was undertaken to better understand the barriers, drivers and needs of those people who intend to get a will in the near future but may not end up following through. The design sprint, which involved first-hand research with potential customers, had a particular focus on the online experience and yielded useful insights into the customers' perception of value and the place of self-service and educational support to drive conversions. The findings are invaluable for defining our approach towards educating New Zealanders about the value and importance of estate planning.

Joining the community

Public Trust increased its community engagement throughout the country via industry events, partner initiatives and Public Trust-organised seminars. This included the Age Concern and Positive Ageing conferences, Dementia New Zealand knowledge exchanges, Elder Abuse Awareness Week and the first in a series of Public Trust seminars about trust law changes.

Through more than 30 such events, we helped to build community relations and deeper brand connections at a regional level and put a human face to the organisation. In addition, these events help position Public Trust as an industry leader and educator. They also proved advantageous for reaching people and groups who stand to benefit from timely estate planning services.

Campaign for caregivers

The year saw a particular focus on our Personal Assist service, with the "sandwich generation" as a key target group. These are people caring for an elderly family member while still actively raising their own children.

The campaign adopted the look and feel of the familiar Tough Questions campaigns and was integrated across a range of media outputs and channels, including direct marketing, online targeting, internally generated media and PR material, inbound call support and broadcast advertising.

Being seen

There has been an effort to increase the volume and range of media material to broaden Public Trust's visibility and credibility. This includes media releases with engaging visual content, opinion pieces, a quarterly customer newsletter, downloadable content, new animated explainer videos and boosted social media. A key aspect of this content is its educational or informative dimension.

To improve Public Trust's position as an expert commentator, key staff received media training and were positioned as 'go to' media experts. The year also saw ongoing work to better optimise our visibility online, such as via search engine optimisation.

Measure	Outcome
Market share of wills, EPAs and estates.	Probate market (including Executor Assist) share has held steady at 10.8% for FY19.

Productivity

Current goal: Build a sustainable and profitable business by working smarter.

The actions we have taken:

- Implemented a wide range of operational improvements across the retail business.
- Planned and instigated tailored updates across core systems.
- Introduced a client acceptance process to better establish customer needs relative to commercial requirements.

Automating communications

There is an increasing drive to facilitate quality customer communications and to automate these where possible. To that effect, welcome and product anniversary correspondence is now automated, with more to come. Increasing the frequency and timeliness of such communications means continuous improvements in data accuracy and opportunities for interacting with customers.

Understanding operations

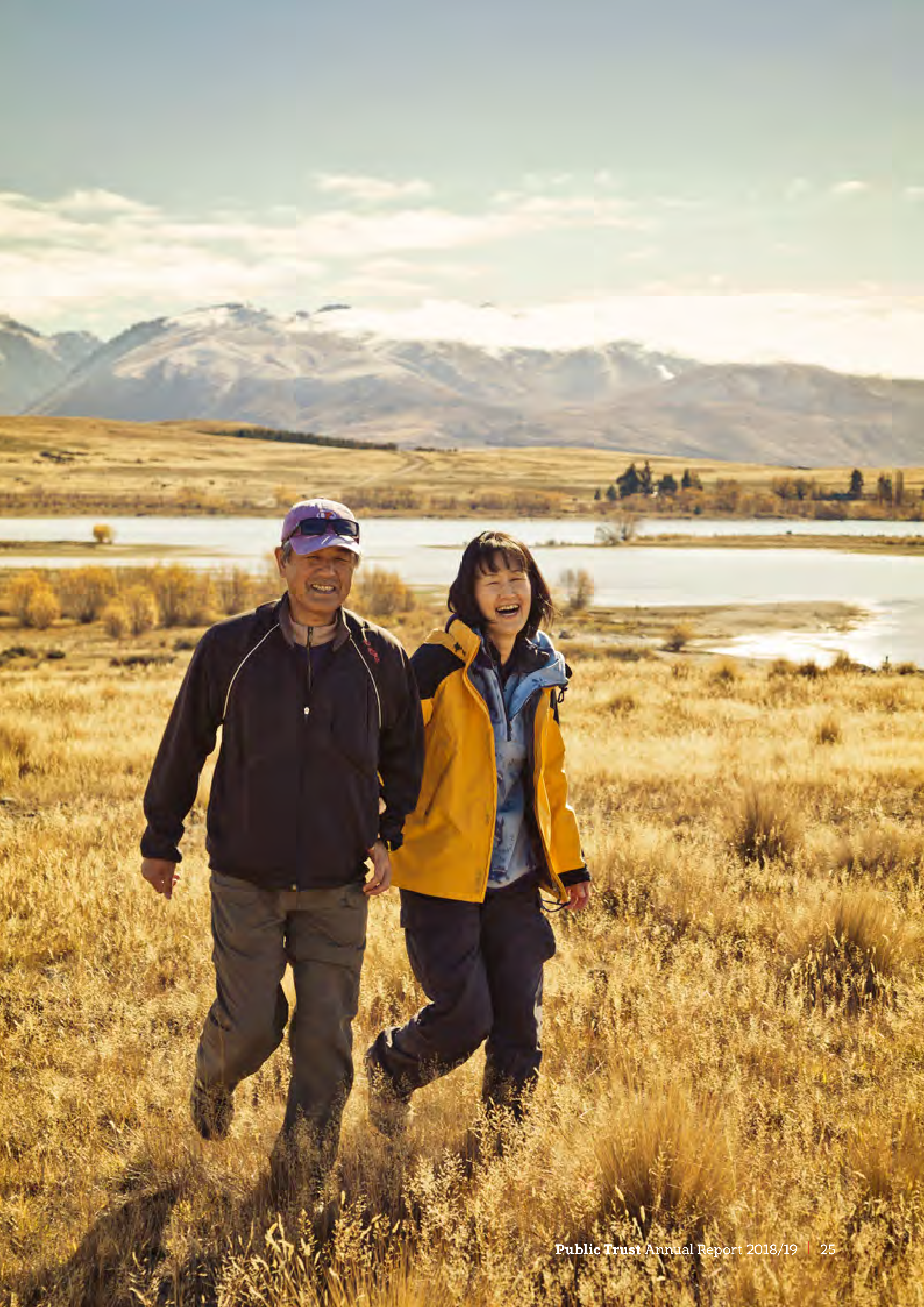
A sharper commercial lens has been applied to the day-to-day operational aspects of the customer centres and the income-generating activities of Public Trust. This has entailed a focus on the revenue life cycle and taking a productivity approach to transactional elements, such as time in attendance, to better align the service output with fees charged.

This approach also led to an enhanced understanding of how to better evaluate a customer's need at the first point of contact and assess where Public Trust can help.

New systems

The Corporate Trustee Services team has moved from planning to roll-out of the client management system NAVOne for its Custody business. The world-leading wealth management software provides clients with an even more robust and efficient core service and gives business partners additional comfort that transactions are handled with a solid and auditable platform.

Measure	Outcome
Retail productivity.	We have seen an increase in Retail productivity from 48.1% at the beginning of the reporting period to an average of 60% in the second half of the year with the roll-out of work in progress management practices across the business. The average productivity for FY19 was 56.1%.



Customer satisfaction

Current goal: Make every customer interaction one worth sharing.

The actions we have taken:

- Gained meaningful insights to better grasp customer perspectives and improve service.
- Bedded down a company-wide complaint resolution process.
- Improved Public Trust's customer-facing material, making it is easier to understand and be more representative of New Zealanders.

Taking the customer's pulse

A simple three-question post-transaction customer survey was planned and implemented. The survey is designed to better understand our performance on specific customer experiences.

Known as Customer Heartbeat, the survey puts our customers at the centre of our business and has an immediacy that gives particular value to the feedback.

The results allow frontline staff to respond to customer issues right away and resolve these. It gives insights that help Public Trust learn and grow in ways that will further improve the overall service level and increase retention and loyalty.

In FY19, 93 Heartbeat responses were received from will and enduring power of attorney (EPA) customers and estate beneficiaries. Initial findings show that our will and EPA consultations are received very positively across the country. Our estate beneficiary feedback from Heartbeat is mixed, pointing to a need for improved communication and processes through the estate administration journey.

Workshopping customer experience

Through a human-centred design process with Deloitte and with empathy as a core guiding principle, in-depth analyses of our systems, products and processes were conducted to develop and prioritise ways of improving our customers' experience.

Rather than a product-centric approach or relying on our own judgements, we worked with a range of customers, stakeholders and staff to obtain a wider array of perspectives.

The discovery phase saw an upfront examination and exploration of the operational sticking points experienced by our people and customers. These valuable insights were gleaned from customer experience and employee experience perspectives and were followed by analysis and ideation phases.

These have informed the development of guiding customer experience design principles, customer behavioural profiles and customer and employee value proposition statements, as well as detailed customer journey maps – all of which support Public Trust's future customer experience blueprint.

Refresh

We continue to improve our customers' experience by updating the language and appearance of our customer correspondence, marketing collateral and customer centres. This has included a more down to earth tone of voice, more accessible and user-friendly formats, such as editable online documents, and a refitting or upgrading of some of our customer centres both to better represent the Public Trust brand of today and to improve accessibility and security.

Complaints

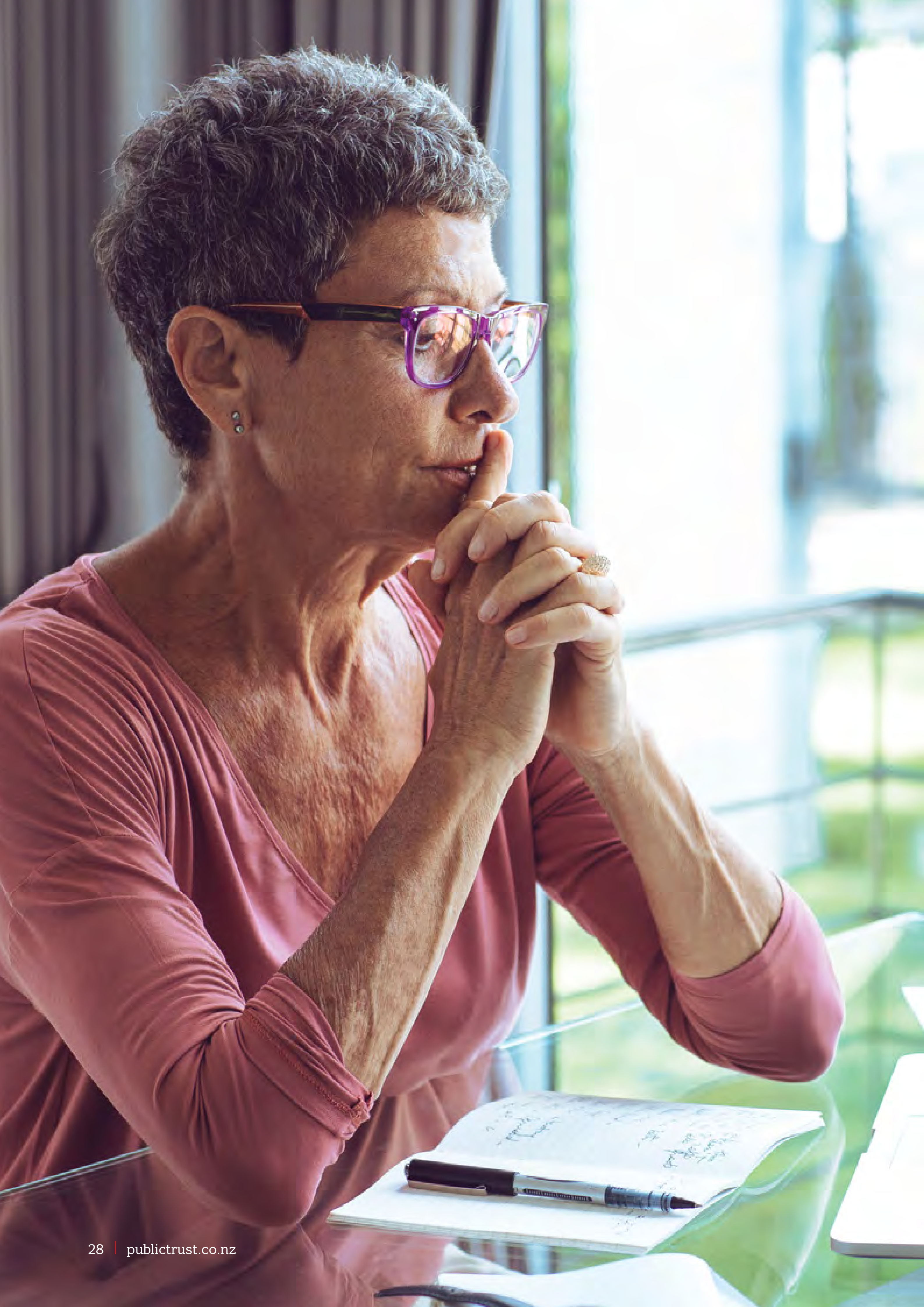
The year has seen a significant swing in complaint resolution. There has been a major focus on how we record, monitor, resolve and audit all complaints to ensure frontline teams are managing the integrity of this process so we not only meet but improve our response times.

Our change by influence model has been working well, empowering our teams to take more ownership of customer issues leading to better resolution. This is

especially true in centres where there have been a higher number of complaints. However, we are now seeing a more proactive approach to managing them. As a customer-centric organisation, we continue to actively encourage customer feedback. As a result, we have seen a slight increase in the number of complaints recorded year on year. However, we are now responding to feedback much faster than in previous years.

Enhanced reporting has also given us more meaningful insights into root causes of issues and subsequently a better understanding on how our customer experience can be improved.

Measure	Outcome
Net Promoter Score (NPS).	Public Trust's NPS across will, EPA and trust customers has improved to 30 in FY19. This compares to 25 in FY18. However, the score from beneficiaries was negative at -25 in FY19, the same as in FY18. (In previous years, trust customers have been reported separately, but given the low numbers, these have now been included with other estate planning customers.)
Reduction in number and level of complaints, as measured by the General Manager Retail's complaints log.	For FY19, 333 complaints were received – an 8% increase when compared with the 308 complaints for FY18. 40 complaints (12%) were escalated to Financial Services Complaints Limited (FSCL) for mediation, compared to 34 (11%) in the previous year. There has been a marked decrease in the number of complaints upheld. Just four complaints were upheld by FSCL in FY19 compared to 21 in FY18. 85% of all complaints were closed within 30 days compared to 73% for FY18. The above outcomes are a positive shift as Public Trust continues to encourage greater reporting of complaints and make it easier for customers to provide us with feedback, with clear and transparent points of escalation.



Business to business

Current goal: Be a trusted partner of New Zealand businesses.

The actions we have taken:

- Consolidated activities with business partners.
- Undertook joint marketing and research initiatives.
- Took a strategic focus on the Personal Assist service.

Measure	Outcome
Number of new partnerships established.	Involvement with campaigns from the Office for Seniors and Commission for Financial Capability.

Building on partnerships

This year has seen a continuing focus on bedding down the relationships with our current business partners across the health, financial, legal and aged care sectors and connecting with key government agencies such as the Office for Seniors and the Commission for Financial Capability.

Local-level relationships

A new intranet site was developed to better help trustees engage with our business partners and connect at the local level, with the aim to improve productivity outcomes through more direct communication and collaboration.

Focus on Personal Assist

This year saw an ongoing focus on Public Trust's Personal Assist service through campaigns and partner communications. The service resonates strongly with particular clients of our business partners.

Engaging the ADHB

We connected with Auckland District Health Board's social worker supervisors to educate them on the role Public Trust plays in protecting those unable to manage their own affairs. The result saw a notable increase in Protection of Personal and Property Rights Act work.

Statement of performance

For the year ending 30 June 2019

Public Trust and the Crown (acting through the Minister of Justice) have a services agreement under which the Crown purchases a range of non-commercial protective fiduciary services to ensure that all New Zealanders have access to estate and personal management services.

As a result, Public Trust has one reportable output under section 149E(1)(a) of the Crown Entities Act 2004 that contributes to the Ministry of Justice outcomes of enabling access to justice for all by providing quality fiduciary services.

Measuring the services we provide

Service	Measure	Achievement
Providing Protection of Personal and Property Rights Act 1988 administration, audit and advice services to incapacitated persons or under Public Trust agencies.	Hours to manage and advise individuals under the Protection of Personal and Property Rights Act.	8,362 undertaken. (7,500 forecast for FY18/19.)
Administration of small and/or complex estates and trusts, including providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a will has been made.	Hours to manage and advise on small estates and trusts.	4,308 undertaken. (4,400 forecast for FY18/19.)
Examination of statements filed in court by any manager who is not a trustee corporation under section 46 of the Protection of Personal and Property Rights Act 1988.	Hours taken to examine statements.	4,551 undertaken. (2,885 forecast for FY18/19.)

Revenue and expenses

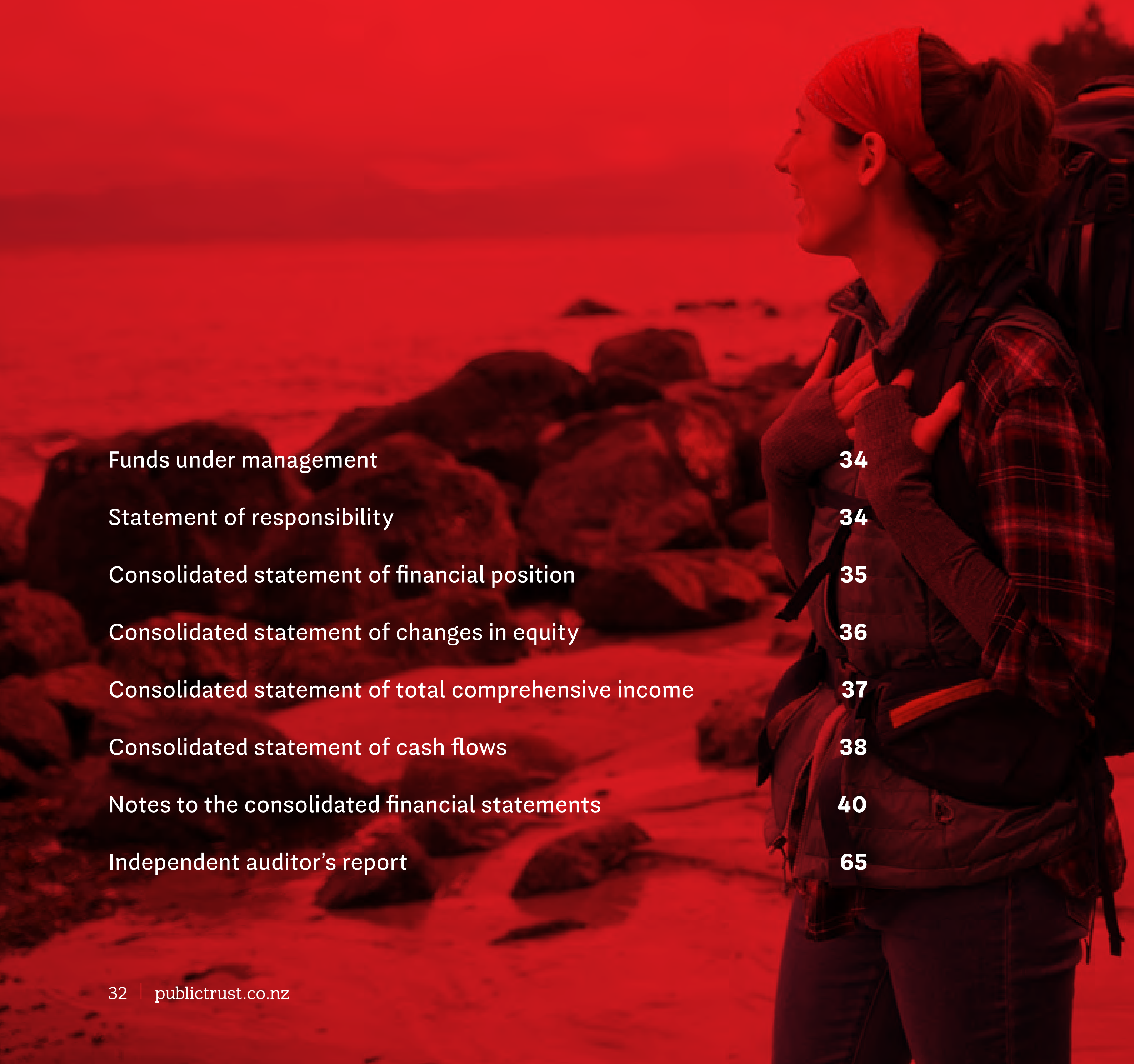
Expected	Actual
Expected revenue 2018/19 $2.2 million (GST exclusive)	Revenue $2.6 million (GST exclusive)
Proposed expenses 2018/19 $2.2 million (GST exclusive)	Expenses $3.3 million (GST exclusive)

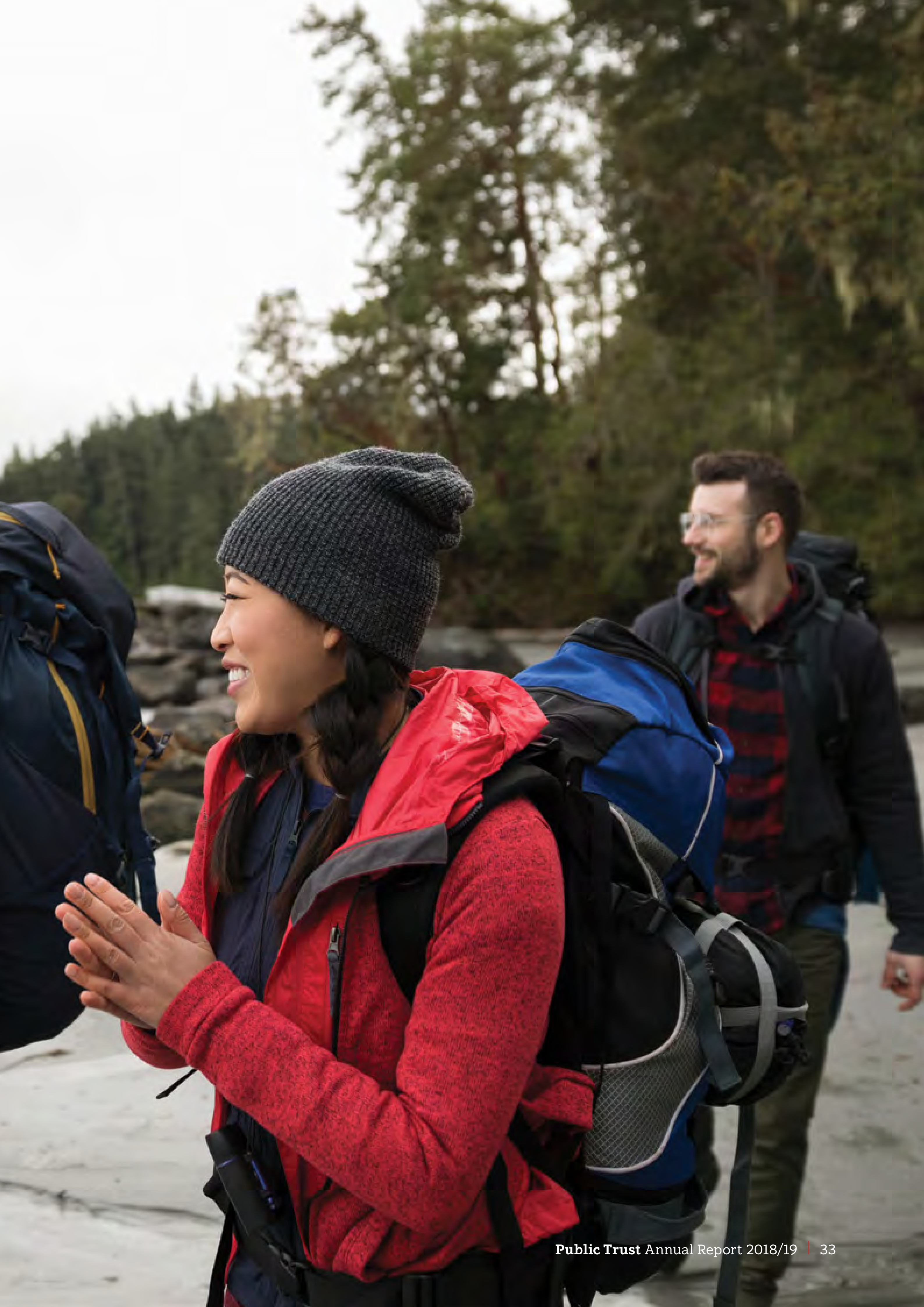
Measuring our performance

The quality and impact of the services we provide and their contribution to Ministry of Justice outcomes are outlined in our 2018/19 Statement of Performance Expectations and are measured below.

Outcome	Measure	Achievement
Provide access to justice services that individuals are unable to obtain within their own means.	Nationwide network of Public Trust offices available during business hours. Online resources available with less than 40 hours downtime per annum. Nationwide network of customer centres available during business hours.	We continue to maintain a mix of channels where the public can easily access our services. We operate out of 25 dedicated and 12 appointment-only customer centres across New Zealand. Our contact centre is available between 8.00am and 5.30pm, Monday to Friday, through our 0800 number. There were no outages for the 2018/19 period. Our website had 158 hours of outages for the 2018/19 period due to upgrades in security, user experience and accessibility.
Provide quality and responsive/ timely services.	Customer satisfaction rating (as measured through an independent survey) is greater than 80%.	We achieved an outcome of 69% of customers satisfied (rated us in the range of 6–10 out of 10), with a base of 366 customers in the NPS survey. For further detail, see customer satisfaction outcomes on page 27.
	80% of complaints are closed within 30 days and less than 5% of complaints are referred to an external dispute resolution provider.	85% of all complaints were closed within 30 days. 12% were referred to an external dispute resolution provider. For further detail, see customer satisfaction outcomes on page 27.

Financial information





Funds under management

as at 30 June 2019

Public Trust has responsibility for funds under management, including fiduciary responsibility for trusts under management and trusts under supervision. The following table details the assets under management and supervision.

	Actual 2019 ($M)	Actual 2018 ($M)
Fiduciary assets		
Funds under management		
Common Fund	318	361
Public Trust Investment Service	703	625
Assets under management	3,080	2,728
Funds under supervision	101,457	85,937

Statement of responsibility

for the year ended 30 June 2019

The Board of Public Trust accepts responsibility for the preparation of the financial statements and statement of performance and for the judgements in them. The judgements applied in the preparation of the financial statements are reported in the notes to the consolidated financial statements.

The Board of Public Trust accepts responsibility for establishing and has established and maintains a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of Public Trust, the financial statements and statement of performance for the year ended 30 June 2019 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Ian Fitzgerald
Chair
10 September 2019

Graham Naylor
Chair
Audit and Risk Committee

Consolidated statement of financial position

as at 30 June 2019

	Notes	Actual 2019 ($000)	Unaudited budget 2019 ($000)	Actual 2018 ($000)
Assets				
Cash and cash equivalents		17,472	29,559	27,678
Investment securities	8	325,969	395,333	351,511
Advances to clients	10	2,667	1,504	2,498
Advances secured by mortgage		-	-	767
Trade receivables	9	2,658	4,109	2,627
Contract assets	9, 20	9,583	4,971	7,232
Total financial assets		**358,349**	**435,476**	**392,313**
Other assets		4,213	4,737	4,324
Intangible assets	12	25,403	28,353	26,759
Deferred tax asset	11	10,163	9,163	9,663
Total assets		**398,128**	**477,729**	**433,059**
Liabilities				
Liabilities to clients – at call or short term		318,131	401,787	360,694
Liabilities to clients – term deposits		12	-	195
Total liabilities to clients		**318,143**	**401,787**	**360,889**
Trade payables		3,637	3,010	3,076
Derivative financial instruments		301	399	193
Employee benefits	13	4,091	3,127	4,111
Provisions	14	3,475	1,711	1,750
Contract liabilities	20	312	328	317
Other liabilities		877	1,062	867
Total liabilities		**330,836**	**411,424**	**371,203**
Equity				
Contributed equity		90,174	90,174	90,174
Retained earnings		(22,882)	(23,869)	(28,318)
Total equity	15	**67,292**	**66,305**	**61,856**
Total liabilities plus equity		**398,128**	**477,729**	**433,059**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of the financial statements on 10 September 2019.

Ian Fitzgerald
Chair
10 September 2019

Graham Naylor
Chair
Audit and Risk Committee

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Contributed equity ($000)	Retained earnings ($000)	Total equity ($000)
Actual as at 1 July 2017	90,174	(31,434)	58,740
Profit for the year	-	3,116	3,116
Total comprehensive income	**-**	**3,116**	**3,116**
Actual as at 30 June 2018	**90,174**	**(28,318)**	**61,856**
NZ IFRS 9 equity adjustment (refer note 5)	-	(162)	(162)
Profit for the year	-	5,598	5,598
Total comprehensive income	**-**	**5,436**	**5,436**
Actual as at 30 June 2019	**90,174**	**(22,882)**	**67,292**
Unaudited budget as at 30 June 2018	**90,174**	**(28,396)**	**61,778**
Profit for the year		4,527	4,527
Total comprehensive income	**-**	**4,527**	**4,527**
Unaudited budget as at 30 June 2019	**90,174**	**(23,869)**	**66,305**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of total comprehensive income

for the year ended 30 June 2019

	Notes	Actual 2019 ($000)	Unaudited budget 2019 ($000)	Actual 2018 ($000)
Revenue				
Interest from interest-bearing securities		9,461	14,756	12,123
Interest from advances		259	-	247
Less: Interest expense		(1,081)	(3,541)	(1,559)
		8,639	11,215	10,811
Revenue from contracts with customers	20	55,344	56,305	47,443
Other revenue		2	427	357
Net revenue		**63,985**	**67,947**	**58,611**
Expenses				
Employee benefits		(37,593)	(38,429)	(32,567)
Operating lease costs		(3,042)	(3,598)	(2,884)
Depreciation		(959)	(1,018)	(1,147)
Amortisation of intangible assets	12	(2,926)	(3,808)	(3,074)
Other expenses		(14,422)	(16,567)	(16,456)
Total expenses		**(58,942)**	**(63,420)**	**(56,128)**
Net gains on financial instruments		55	-	133
Profit before tax for the year		**5,098**	**4,527**	**2,616**
Tax benefit	11	500	-	500
Profit after tax for the year		**5,598**	**4,527**	**3,116**
Total comprehensive income for the year		**5,598**	**4,527**	**3,116**

The above consolidated statement of total comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2019

	Actual 2019 ($000)	Unaudited budget 2019 ($000)	Actual 2018 ($000)
Cash flows from operating activities			
Fees and other revenue	53,841	55,572	50,315
Interest revenue from investments	8,897	13,110	12,725
Payments to suppliers and employees	(54,044)	(59,400)	(52,253)
Interest paid	(1,112)	(3,541)	(1,813)
Net cash flows from operating activities	**7,582**	**5,741**	**8,974**
Cash flows from investing activities			
Net flows from investments*	27,464	60,775	90,995
Purchase of other assets	(756)	(1,580)	(1,381)
Purchase of intangible assets	(1,662)	(3,220)	(1,206)
Net cash flows from investing activities	**25,046**	**55,975**	**88,408**
Cash flows from financing activities			
Net (payments to) receipts from clients*	(42,834)	(58,471)	(88,458)
Net cash flows from financing activities	**(42,834)**	**(58,471)**	**(88,458)**
Net increase (decrease) in cash and cash equivalents	**(10,206)**	**3,245**	**8,924**
Cash and cash equivalents at the beginning of the year	27,678	26,314	18,754
Cash and cash equivalents at the end of the year	**17,472**	**29,559**	**27,678**

*Cash flows from investment activities and receipts/payments from clients from financing activities are presented on a net basis.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Reconciliation of profit after tax to net cash flow from operating activities

for the year ended 30 June 2019

	2019 ($000)	2018 ($000)
Profit after tax	**5,598**	**3,116**
Adjustments to reconcile profit after tax to operating cash flows:		
Depreciation and gains (losses) on disposal	959	1,147
Amortisation and gains (losses) on disposal	2,926	3,074
Movement in accrued purchases of other assets and intangible assets	4	(171)
Unrealised (gains) losses and amortisation of premiums and discounts	(10)	(23)
Movement in accrued interest	(15)	551
Write-off and movement in impairment in advances and mortgage allowances	(348)	183
(Decrease) increase in provisions	1,724	(511)
Working capital adjustments		
(Increase) decrease in trade receivables and work in progress	(2,382)	1,692
(Increase) decrease in deferred tax asset	(500)	(500)
(Increase) decrease in current tax asset	-	-
(Increase) decrease in advances to clients and other assets excluding property, plant and equipment	(202)	214
Increase (decrease) in trade payables, prepaid estates and other liabilities	(151)	75
Increase (decrease) in employee benefits	(21)	127
Net cash flows from operating activities	**7,582**	**8,974**

Changes in liabilities arising from financing activities

for the year ended 30 June 2019

	2019 ($000)	2018 ($000)
Liabilities to clients (opening)	360,889	449,593
Net cash flows from financing activities	(42,834)	(88,458)
Non-cash movements	88	(246)
Liabilities to clients (closing)	**318,143**	**360,889**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1 General information

Public Trust is a body corporate established and domiciled in New Zealand by the Public Trust Act 2001 (the 2001 Act) and includes those liabilities defined as the Common Fund by the 2001 Act. Public Trust is a Crown entity for the purposes of the Crown Entities Act 2004 and an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The financial statements comprise Public Trust (the Parent) and its subsidiaries (collectively, the Group).

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the requirements of the Financial Markets Conduct Act 2013 and the Crown Entities Act 2004. For the purposes of complying with NZ GAAP, the Group is a for-profit entity.

These financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements also comply with International Financial Reporting Standards.

Comparatives

Certain comparative figures within the financial statements have been reclassified to align with the current period presentation.

Measurement basis

The consolidated financial statements have been prepared on an amortised cost basis except for derivative financial instruments, which have been measured at fair value.

The carrying values of assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

Functional and presentation currency

All transactions and balances are presented in New Zealand dollars, which is also the functional currency. All amounts are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Budget

The budget figures are not audited and are those included in the Statement of Performance Expectations for the 2019 year.

3 Basis of consolidation

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the Group's financial statements from the date on which control commences until the date control ceases.

All intra-group balances and transactions and unrealised income and expenses resulting from intra-group transactions are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group loses control over a subsidiary, it derecognises the related assets and liabilities and any other components of equity. Any interest in the former subsidiary is measured at fair value when control is lost.

4 Significant accounting policies

Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in the acquisition is measured at fair value at the acquisition date. Acquisition-related costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Goodwill is initially measured at cost, being the excess of the consideration transferred and the fair value net of identifiable assets acquired and liabilities assumed. Any gain on a bargain purchase is recognised in profit or loss immediately. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Financial instruments

Initial recognition and measurement

All financial instruments are initially recognised when the Group becomes party to the contractual provisions of the instrument and is measured at the fair value of the consideration received plus or minus directly attributable transaction costs in the case of a financial asset or financial liability not recognised at fair value through profit or loss.

Subsequently the Group applies the following accounting policies for financial instruments:

(i) Financial assets at amortised cost

The Group's business model is to hold financial assets in order to collect the contractual cash flows consistent with a 'buy and hold' investment strategy, and all of the Group's financial assets other than derivatives give rise to cash flows that are solely payments of principal and interest.

Financial assets in this category include:

- cash and cash equivalents
- investment securities: term deposits
- investments securities: interest-bearing securities
- advances to clients
- trade receivables.

Cash and cash equivalents include cash on hand, cash at bank (including any overdraft), money market deposits on call and other short-term highly liquid investments with original maturities of 3 months or less. Cash and cash equivalents are recognised at their cash settlement value.

Subsequent to initial recognition, advances to clients, trade receivables and investment securities are carried at their amortised cost in accordance with the effective interest method, less impairment.

Financial assets at amortised cost are regularly reviewed for impairment under either the simplified approach applicable to trade receivables, contract assets (excluding contract assets of uncertain timing) and lease receivables or under the general approach applicable to all other financial assets. Under the simplified approach, a loss allowance is always measured at an amount equal to lifetime expected credit losses, whereas under the general approach, a loss allowance is recognised for 12-month expected credit losses unless the credit risk on the financial instrument has increased significantly since initial recognition, in which case, a loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assumes credit risk has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at year end.

Expected credit losses are measured in a way that reflects the probability weighting of a range of possible outcomes, the time value of money and reasonable information about past events, current conditions and forecasts of future conditions. Any impairment gain or loss is recognised in profit or loss with a corresponding reduction in the carrying value of the financial asset through a loss allowance account.

(ii) Financial assets at fair value through profit or loss

The Group classifies derivatives that are subsequently measured at fair value through profit or loss.

The Group uses derivative financial instruments, such as interest rate swaps, to manage exposures to interest rate risk. These hedged managed exposures typically qualify for hedge accounting.

Fair value hedges

The purpose of derivative financial instruments is to match the changes in fair value of long-dated term deposit assets as interest rates change. The cumulative change in the fair value of a hedging derivative, designated and qualifying as a fair value hedge, is recognised in profit or loss. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the consolidated statement of financial position and is also recognised in profit or loss.

(iii) Financial liabilities at amortised cost

Financial assets in this category include:

- liabilities to clients
- trade and other payables.

Subsequent to initial recognition, financial liabilities at amortised cost are carried at their amortised cost in accordance with the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are translated to New Zealand dollars at the rate of exchange prevailing at the transaction date. At reporting date, foreign currency monetary assets and liabilities are translated into New Zealand dollars using the exchange rates prevailing at the reporting date. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss.

Intangible assets: IT assets and development costs

Intangible IT assets comprise computer software that is not integral to the operating systems of computer and server equipment. They are classified as finite life intangible assets that are initially recognised at the cost necessary to bring the software to the condition intended for functionality. Costs incurred in developing internally generated software are recognised where the software qualifies for recognition as an intangible asset. Costs are accumulated as capital work in progress until the intangible IT asset is in a functional condition. They are then capitalised and amortised over the asset's estimated useful life of 3-10 years using the straight-line method.

A review of intangible IT assets is undertaken at the end of each financial year to ensure the estimates of useful life and the amortisation method remain relevant.

Intangible IT assets are subsequently carried at cost, less any accumulated amortisation and accumulated impairment losses.

Impairment of intangible assets other than goodwill

Intangible assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An annual internal review of asset values is performed at the end of each financial year. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for any amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using a discounted cash flow model. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

Any impairment losses are recognised in profit or loss. Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment of goodwill

Goodwill is subject to an annual impairment test. Any impairment is recognised in profit or loss as a permanent reduction in the carrying value. Impairment losses recognised for goodwill are not subsequently reversed.

Goodwill has been allocated to the Corporate Trustee Services CGU. Impairment testing is done using a discounted cash flow model. Further details on the methodology and assumptions used are outlined in note 12.

Employee benefits

Annual leave

A provision is made for annual leave in accordance with the accumulated entitlement as at the reporting date. This is carried at the cash amount necessary to settle the obligation.

Long-service leave

A provision is made for long-service leave benefits on an actuarial basis. Projected cash flows are estimated in accordance with both national and entity experience. The resulting projected cash flows are discounted in accordance with market yields on New Zealand Government bonds as at the reporting date.

Leases

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Any lease incentives are amortised over the estimated occupancy periods and offset against lease expenditure in profit or loss. The estimated occupancy period is based on the contractual terms of the lease and is reviewed annually.

Notes to the consolidated financial statements

Taxes

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, it is recognised in other comprehensive income or equity.

Current tax

Current tax is the tax receivable/payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax receivable/payable in respect of previous years.

Deferred tax

Deferred tax is provided using the liability method on:

- future income tax benefits arising from unutilised tax losses in the financial statements
- temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Goods and services tax

All revenues and expenses are recognised net of goods and services tax (GST). Any GST on expenses that is not recoverable is recognised in profit or loss.

Where the cost of property, plant and equipment and intangible assets includes an element of irrecoverable GST, such costs are included as part of the initial carrying amount of the relevant asset.

Receivables and payables are recognised inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Revenue from contracts with customers

The Group's core business is providing estate planning and management services; trustee services for individuals, businesses, corporates and charities; personal management services; investments for fiduciary customers and protective fiduciary services to New Zealanders.

Revenue from contracts with customers is recognised when control of services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

Disclosure of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers is provided in note 6.

Fees revenue

Fees from services are recognised at a point in time or over a period of time in accordance with the underlying service contract when control of the asset is transferred to the customer, generally as work is performed or as time elapses over a fixed-term contract.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled to in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with volume fees and volume rebates. The volume rebates give rise to variable consideration.

Refer to note 6 for further details on the accounting treatment of variable consideration.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer.

Contract assets represent revenue for which the Group does not have an unconditional right to payment as of balance date because the revenue may be subject to a billing restriction.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a customer pays consideration before the transfer of services to the customer, a contract liability is recognised. The timing of recognition is when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognised as revenue when the Group performs the services under the contract.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restructuring

The restructuring provision relates primarily to the termination of employment. This is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly before or at the reporting date. This provision is carried at the estimated amount of cash necessary to settle the obligation. It is expected the sums provided will be paid within 1 year.

Remedial work and litigation

The remedial work and litigation provision relates to a number of matters where fault with the Group's service delivery has been identified or alleged or other contractual disputes have arisen. Final resolution may take a number of years.

Where the Group assesses that a present obligation exists in any such matter, a provision is recognised and is carried at the estimated amount of cash necessary to settle the obligation.

Where it is expected that some or all of the provision will be reimbursed by a third party, the reimbursement is recognised as a separate asset under sundry receivables when the reimbursement is virtually certain.

Make good

The make-good provision relates to contractual obligations resulting from the Group entering into lease contracts. The lease obligations require the Group to make good the condition of the buildings upon terminating the lease and vacating the premises.

Presentation of cash flows

Cash flows from operating activities are cash flows from the principal revenue-producing activities of the Group.

Cash flows from investments are presented on a net basis as they relate to the placement and withdrawal of deposits from other financial institutions.

Cash receipts from/payments to clients are presented on a net basis as they represent cash receipts and payments on behalf of customers and the cash flows reflect the activities of the customer rather than those of Public Trust.

Net cash flows from financing activities are substantially comprised of movements in the following two consolidated statement of financial position line items:

- Liabilities to clients – at call or short term.
- Liabilities to clients – term deposits.

5 Changes in accounting policies and disclosures

New and amended financial reporting standards and interpretations

The Group applied NZ IFRS 15 and NZ IFRS 9 for the first time in the year ended 30 June 2019. The nature and effect of the changes as a result of adoption of these new accounting standards is described below.

Several other amendments and interpretations apply for the first time in 2019 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- NZ IFRS 15 Revenue from Contracts with Customers supersedes all current revenue recognition requirements under NZ IFRS and related interpretations, and it applies, with limited exceptions, to all revenue arising from contracts with its customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  Under NZ IFRS 15, revenue is recognised over time or at a point in time. The majority of the Group's performance obligations qualify for revenue recognition over time using the following three approaches to recognise revenue:

  - As time elapses over a fixed-term contract.
  - When there is a right to invoice.
  - As work is performed tracked by timesheet entries.

  Performance obligations satisfied at a point in time include transfers of distinct assets to customers, such as standard wills or enduring powers of attorney, and income handling fees calculated on the collection of gross income.

  NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Group adopted NZ IFRS 15 using the full retrospective method of adoption. The Group concluded that the implementation of NZ IFRS 15 does not have a significant impact on the Group's revenue recognition. As a result, no transitional adjustment is required on adoption of NZ IFRS 15.

- NZ IFRS 9 Financial Instruments replaces NZ IAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group applied NZ IFRS 9 retrospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information. Differences arising from the adoption of NZ IFRS 9 have been recognised directly in retained earnings and other components of equity.

Balance sheet item	Adjustments (refer to paragraph below)	1 July 2018 $000 Increase/ (decrease)
Investment securities	a)	(162)
Retained earnings	b)	(162)

The nature of these adjustments is described below:

Classification and measurement

Under NZ IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

An assessment of the Group's business model and whether each instrument's contractual cash flows represent solely payments of principal and interest was made as of the date of initial application, 1 July 2018. The resulting classification was applied retrospectively irrespective of the Group's business model in prior periods. The following are the changes in the classification of the Group's financial assets:

a) Under NZ IAS 39, the Group recognised all financial assets at amortised cost excluding interest-bearing securities and derivatives, both of which were recognised at fair value through profit or loss. Under NZ IFRS 9, the Group continues measuring derivatives at fair value, with changes in fair value recognised in profit or loss. However, all other financial assets are subsequently measured at amortised cost. Accordingly, the only class of assets whose classification has changed upon adoption of NZ IFRS 9 is interest-bearing securities. This change in classification is assessed as having no significant impact on the Group's financial statements.

b) The Group has recognised any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period, including the date of initial application, in opening retained earnings.

Impairment

NZ IAS 39's incurred loss requirement to recognise a loss allowance (representing the difference between an asset's carrying amount and the present value of expected future cash flows) has transitioned to NZ IFRS 9's forward-looking expected credit loss approach.

The simplified approach for recognising expected credit losses applies to trade receivables, contract assets (excluding contract assets of uncertain timing) and lease receivables resulting from transactions covered by NZ IFRS 15. The general approach applies to all other financial assets recognised at amortised cost.

The simplified approach, which requires recognition of a loss allowance equal to lifetime expected credit losses, is consistent with the Group's existing impairment approach applied in the prior period.

The general approach introduces new rules requiring a loss allowance equal to 12 months of expected credit losses unless the financial instrument's credit risk has increased significantly since initial recognition, in which case, a loss allowance equal to lifetime expected credit losses is required.

Due to the high credit quality of the Group's investment securities, the lifetime expected credit loss requirement under the general approach is unlikely to have any practical impact. However, it will be applied if a financial instrument experiences a significant increase in credit risk.

- NZ IFRS 16 Leases is a new standard that is not yet effective for the year ended 30 June 2019. The Group plans to adopt the new standard from 1 July 2019.

  NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a right-to-use asset for all lease contracts unless the lease term is 12 months or less or the underlying asset has a low value.

Transition to NZ IFRS 16

The Group will elect to use the exemptions proposed by the standard on lease contracts where the term ends within 12 months of the date of initial application and lease contracts for which the underlying asset is of low value.

During the year ended 30 June 2019, the Group has performed a detailed impact assessment of NZ IFRS 16. In summary, the impact of the adoption of NZ IFRS 16 on the consolidated statement of financial position (increase/(decrease)) as at 30 June 2019 is expected to be as follows:

Balance sheet item	$000
Assets	
Property, plant and equipment (right-of-use assets)	13,013
Liabilities	
Lease liabilities	13,013
Net impact on equity	-

As a consequence of adopting NZ IFRS 16, the Group's operating lease costs will be reclassified into interest and depreciation expenses. Lease-related interest expenditure will be higher at the start of the lease term and will decline as the principal component of the lease liability is paid down over the term of the lease.

There are no other new or amended standards and interpretations that are issued but not yet effective that would be expected to have a material impact on the Group's financial statements.

6 Significant accounting judgements, estimates and assumptions

Use of judgements and estimates

In the process of applying the accounting policies, management make judgements, estimates and assumptions. Actual results may differ from these estimates.

Information about critical judgements that have the most significant effect on the amounts recognised in the financial statements are included below.

Revenue from contracts with customers (note 20)

Variable consideration

Under NZ IFRS 15, variable consideration exists as a result of the 5% cap provision (under section 122 of the Public Trust Act 2001), volume rebates and annual management fees being calculated as a percentage of the gross value of assets under ongoing administration.

To estimate the variable consideration to which the Group is entitled resulting from the 5% cap and annual management fees, the Group applies the expected value method and only recognises revenue to the extent it is highly probable that a significant reversal in cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

This represents a change from the probable that the economic benefits flow to the entity test applicable before adoption of NZ IFRS 15.

Volume rebates are offset against amounts payable by the customer. Customer entitlements to rebates are calculated each month based on timely unit pricing information for managed funds. Accordingly, estimation is not required to determine this variable consideration.

Contracts with a significant financing component (note 9)

The Group considers a significant financing component applies to contract assets of uncertain timing. These represent estate administration charges where payment is not due until an uncertain point in the future. These charges relate to estates with life tenants whereby payment will be received when the estate is wound up on the death of the life tenant.

Judgement applies in determining the expected date of recovery and in applying appropriate discount rates to expected cash flows of the contract assets. The expected recovery date is based on actuarial models using statistical life expectancy data. Cash flows are discounted using the New Zealand Government bond yield rates at the reporting date reflecting the low credit risk resulting from the Group's first call over the client's assets. Future cash flows beyond 10 years have been discounted using the 10-year rate. Where collection is expected within 12 months of the reporting date, no discounting is applied.

Trade receivables and contract assets (note 9)

Impairment analysis is performed regularly for trade receivables and contract assets. Loss allowances are based on the aged profile of the receivable or contract asset, historical trends of recoverability by age and service type and review of clients' ability to pay expected or outstanding fees. Please refer to note 5 for more information on the impairment approach for financial instruments.

Taxes (note 11)

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses or temporary differences can be utilised. This requires management to assess the likelihood, timing and level of future taxable profits.

Intangible assets (note 12)

The recoverability of the carrying amount of goodwill is assessed for impairment annually. Performing this assessment requires management to estimate future cash flows, the terminal growth rate and pre-tax discount rate.

Provisions (note 14)

Legal counsel is consulted on matters that may give rise to a remedial work and litigation provision. Estimation and assumptions are made in determining the likelihood, amount and timing of cash necessary to settle the obligation.

7 Supplementary information

Crown guarantee

The capital and interest on client deposits (liabilities to clients) in Public Trust's Common Fund is government guaranteed.

The guarantee on capital for those deposits is provided by section 52 of the Public Trust Act 2001 and is not time limited. The interest on client deposits is covered by a government guarantee provided under section 65ZD of the Public Finance Act 1989.

On 22 May 2019, Fitch reaffirmed a credit rating to Public Trust of AA on the basis of Public Trust's legal status, control and oversight and the view that support from the New Zealand Government would be forthcoming, if needed.

8 Investment securities

	2019 ($000)	2018 ($000)
Financial assets at amortised cost		
Term deposits subject to fair value hedges		
Banks	16,083	15,481
State-owned enterprises	-	-
Interest-bearing securities		
State-owned enterprises	9,043	10,096
Mortgage-backed securities	508	653
Corporates	55,592	54,300
Term deposits		
Banks	204,987	255,951
State-owned enterprises	39,756	15,030
Total investment securities	**325,969**	**351,511**

Fair value measurements of financial assets for which the carrying value in the consolidated statement of financial position differs from the fair value

Term deposits subject to fair value hedges are classified as level 2 of the fair value hierarchy. The valuation technique used to determine the fair value of these term deposits is the net present value method. The inputs used to determine fair value measurements are interest rates from market cash rates, futures and interest rate swaps.

The table below shows the carrying amount and fair value of term deposits that are not subject to fair value hedges.

	Carrying amount 2019 ($000)	Fair value 2019 ($000)	Carrying amount 2018 ($000)	Fair value 2018 ($000)
Term deposits				
Banks	204,987	204,478	255,951	260,579
State-owned enterprises	39,756	39,648	15,030	15,076

Interest rate risk

The Group's interest rate risk arises from its investments in interest-bearing securities and term deposits and associated derivative financial instruments. The objective of the interest rate risk management policy is to mitigate adverse changes in the fair value of financial liabilities versus financial assets due to changes in applicable interest rates. This is achieved by investing in assets with similar interest rate resetting terms to those of the financial liabilities.

Exposures to interest rate risk are monitored by management on a daily basis and reported to the Investment Committee quarterly. The interest rate risk exposure, including all derivative financial instruments, is assessed using the value at risk (VaR) method. This method measures the range within which the value of assets or liabilities may fluctuate with a certain probability over a certain period of time (the holding period), given the actual interest rates observed each business day during the prior 12 months.

The Group uses a 95% confidence interval (i.e. there is a 5% probability that the impact from market fluctuations exceeds the level calculated) and assumes a 1-year holding period. The 1-year VaR at 95% confidence level is $73,000 in 2019 (2018: $45,000). This is applied to the full range of interest-bearing financial assets and liabilities, irrespective of whether those instruments are calculated at fair value or otherwise. The resultant measure is the true economic loss rather than that which would be immediately recognised.

The assumptions on which VaR is based do have some limitations, including the following:

- A 1-year holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the VaR model used, there is a 5% probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. VaR of an unchanged position reduces if market price volatility declines and vice versa.
- VaR does not include the impact of changes in the weighted average life of mortgage-backed securities. It reflects potential VaR arising from interest rate and credit spread movements.

Credit risk

Through its investments in securities and deposits, the Group is also exposed to credit risk. Credit risk of investment securities is managed by a series of policy limits, including minimum counter-party credit ratings and total exposure limits to individual ratings categories, industries and types of securities. This is monitored daily by management and reported to the Investment Committee on a quarterly basis.

The overall credit risk of the investment portfolio is measured using the weighted average rating factor method. This, together with any changes in security ratings, is monitored daily by management and reported to the Investment Committee on a quarterly basis.

The credit quality of investment securities that are neither past due nor impaired is provided in the following table.

	2019 ($000)	2018 ($000)
Long-term credit rating		
AAA	508	-
AA-	32,239	40,075
A	21,064	52,192
A-	-	5,043
	53,811	**97,310**
Short-term credit rating		
A1+	190,862	216,754
A1	81,764	55,144
A2	17,003	9,981
	289,629	**281,879**
Unrated – other financial assets*	14,909	13,125
Total financial assets	**358,349**	**392,314**

*Other financial assets comprise trade receivables, advances to clients and advances secured by mortgage.

9 Trade receivables and contract assets

	2019 ($000)	2018 ($000)
Trade receivables		
Accrued interest	17	24
Fees receivable from the Crown	-	252
Fees receivable	2,641	2,351
Total trade receivables	**2,658**	**2,627**
Contract assets		
Total trade receivables of uncertain timing*	3,555	2,903
Work in progress**	6,028	4,329
Total contract assets	**9,583**	**7,232**
Total trade receivables and contract assets	12,241	9,859
Collective impairment allowance		
Opening balance	(1,322)	(588)
Charge for year	(75)	(734)
Total collective impairment allowance	**(1,397)**	**(1,322)**

*Contract assets of uncertain timing represent estate administration charges where payment is not due until an uncertain point in the future. These charges relate to estates with life tenants, whereby payment will be received when the estate is wound up on the death of the life tenant.

**Work in progress represents the time incurred in providing trustee and estate administration services that has not yet been invoiced to the clients.

The carrying amount of the trade receivables and work in progress equates to its fair value and is presented net of specific and collective impairment allowances.

Customer credit risk

Credit risk is the risk that a customer fails to meet its contractual obligations.

Provisions have been applied to trade receivables, work in progress and contract assets of uncertain timing where there are indicators of low credit quality.

The following table provides an ageing profile of the Group's trade receivables.

	Contract assets ($000)	Neither past due nor impaired ($000)	Past due but not impaired				Total
			1–30 days ($000)	31–60 days ($000)	61–90 days ($000)	More than 90 days ($000)	
2019	9,583	885	795	263	134	581	**12,241**
2018	7,232	1,339	511	270	145	362	**9,859**

10 Advances to clients

Customer credit risk

The Group is exposed to credit risk arising from advances to its clients. Advances to clients include client overdrafts and advances to client beneficiaries. The Group manages and controls this credit risk by setting limits for each customer based on their particular risk profile. Outstanding advances of age greater than 3 months are brought to the attention of senior management and require their approval if maintaining or increasing the advance.

The credit quality of advances to clients that are neither past due nor impaired is considered to be high as Public Trust is trustee and administrator for the clients and generally has first call over the clients' assets. The allowance for impairment as at 30 June 2019 is $14,000 (2018: $14,000).

11 Income tax

Tax benefit comprises	2019 ($000)	2018 ($000)
Deferred tax		
Origination and reversal of temporary differences	179	1,970
Recognition of previously unrecognised deferred tax losses	(679)	(2,470)
Tax benefit	**(500)**	**(500)**

In 2019, a deferred tax benefit of $0.5 million has been recognised, which increases the overall deferred tax asset to $10.163 million. This deferred tax asset represents the expected benefit of utilising tax losses against taxable profit and taxable temporary differences in the foreseeable future. The benefit was recognised on the basis that Public Trust has demonstrated consistent profitability over the past 3 financial years following significant organisational transformation and the implementation of a new organisation-wide operating platform. Profits are forecast to continue improving, and any increase in tax losses that may be incurred in the coming years will be as a result of temporary differences arising from amortisation of Public Trust's operating platform.

Reconciliation of tax benefit and the accounting profit:

	2019 ($000)	2018 ($000)
Profit before tax	5,098	2,616
Income tax at 28%	1,427	732
Non-deductible expenses for tax purposes	14	6
Income tax benefit related to tax losses utilised	(1,015)	-
Temporary differences/prior period adjustments	(426)	312
Utilisation of previously unrecognised tax losses	(500)	(1,550)
Tax benefit	**(500)**	**(500)**

The deferred tax asset comprises:

	2019 ($000)	2018 ($000)
Accounts receivable	684	755
Property, plant and equipment and intangible assets	(3,757)	(3,194)
Employee benefits	960	985
Provisions	973	490
Prepaid estate administration	23	20
Other	11	17
Tax losses	11,269	10,590
Deferred tax asset	**10,163**	**9,663**

The Group has unused tax losses of $14,618,155 (2018: $20,654,350).

12 Intangible assets

Transaction details	2019 ($000)	2018 ($000)
Intangible IT assets		
Cost		
Opening balance	34,821	32,987
Additions	116	-
Transfers from intangible assets in development	518	1,834
Disposals	(422)	-
Closing balance	**35,033**	**34,821**
Accumulated amortisation and impairment		
Opening balance	(10,825)	(7,751)
Amortisation for the year	(3,099)	(3,074)
Disposals	162	-
Closing balance	**(13,762)**	**(10,825)**
Net carrying value	**21,271**	**23,996**
Intangible assets in development		
Opening balance	258	774
Additions	1,887	1,318
Transfers to intangible IT assets	(518)	(1,834)
Closing balance	**1,627**	**258**
Goodwill arising on acquisition		
Opening and closing balance	2,505	2,505
Carrying value of intangible assets	**25,403**	**26,759**

Goodwill has been allocated to the Corporate Trustee Services (CTS) CGU, being the lowest level of asset group for which there are separately identifiable cash inflows. Goodwill allocated to Corporate Trustee Services is 100% of the Group's total carrying amount of goodwill.

The internal detailed calculation performed in 2019 indicates that the recoverable amount exceeds the carrying value of the CTS CGU. Key judgements and assumptions from the 2019 impairment test were as follows:

- The recoverable amount of the CGU was $42.52 million calculated on the basis of value in use, using a discounted cash flow model.
- Future cash flows were projected out 5 years, based on the approved business plans for FY20 to FY24, with key assumptions being funds under supervision, business development initiatives and operating costs. Key assumptions reflect past experience.

- CTS fee revenue was based on the business plan adjusted for projected changes in funds under supervision over the period. Management determined budgeted contribution margin based on the value of funds under management at budget time taking into account KiwiSaver/business superannuation contributions and an allowance for new client growth.
- Revenue growth assumptions taking into account the competitive nature of the market were applied.
- A terminal growth rate of 1.5% was used, which is considered conservative as it is below the current annual growth rates of the New Zealand economy and CTS funds under supervision.
- A pre-tax weighted average cost of capital discount rate of 9.5% was applied to compute present value.

The key judgements and assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these judgements and assumptions are not expected to cause the recoverable amount of the CGU to decline below the carrying value.

13 Employee benefits

	2019 ($000)	2018 ($000)
Annual leave	1,478	1,622
Long-service leave	1,198	1,280
Salaries accrual	663	593
Performance incentive payments	752	616
Total employee benefits	**4,091**	**4,111**

The calculation of long-service leave assumes a salary increase of 2.5% (2018: 2.5%). An additional 1% increase in salary would increase the provision by $70,000 (2018: $55,000).

The Group contributes towards KiwiSaver and the Government Superannuation Scheme. Contributions to these defined contribution plans were $883,000 in 2019 (2018: $783,000).

14 Provisions

	Restructuring 2019 ($000)	Remedial work and litigation 2019 ($000)	Make good 2019 ($000)	Total 2019 ($000)
Opening balance	41	1,289	420	1,750
Additional provisions made	1,263	903	59	2,225
Amounts used	-	(176)	(1)	(177)
Unused amounts reversed	(9)	(285)	(29)	(323)
Closing balance	**1,295**	**1,731**	**449**	**3,475**

Remedial work and litigation

No insurance reimbursements expected upon the final resolution of such matters have been recognised within sundry receivables (2018: nil).

15 Equity

Capital management

The Group's core objectives when managing capital are to:

- protect the interests of beneficiaries of the Common Fund
- protect the interests of the Crown
- ensure the safety of the capital position
- ensure the capital base supports the strategic business objectives and the agreed risk appetite
- return any surplus capital to the Crown, where prudently available after meeting the Group's future strategic goals, so that it may be used to fund other Crown priorities.

The objectives are to safeguard the Group's ability to continue as a going concern while building a sustainable long-term financially viable business.

For capital management purposes, capital includes contributed equity, reserves and retained earnings less the carrying value of intangible assets and deferred tax assets.

The Group maintains a minimum level of capital at all times, which is consistent with its overall risk position.

The Group's working capital is invested in accordance with the investment policy of the Common Fund. There has been no material change in the Group's management of capital from the prior year.

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16 Liabilities to clients and trade payables

Due to their short-term nature, the fair value of liabilities to clients is assumed to equate to the carrying value.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations associated with financial liabilities as they fall due.

Public Trust administers trusts and estates on behalf of fiduciary clients. As part of its trustee functions, Public Trust invests the assets of the trusts and estates on behalf of its clients. This is the principal source of Public Trust's liability to clients. Since Public Trust is the decision maker of these deposits, the risk of a sudden substantial withdrawal of deposits is deemed remote.

The Group mitigates liquidity risk by managing the maturity schedule of both its assets and its liabilities. On a daily basis, sufficient cash or maturing assets are held to meet all anticipated requirements. In addition, a significant part of the investment portfolio consists of highly marketable securities that can be readily liquidated.

The liquidity position of the Group is monitored daily by management and reported to the Investment Committee on a quarterly basis.

The following table sets out the undiscounted contractual cash flows for liabilities to clients, trade payables, and other liabilities but excludes liabilities to clients at call or short term, trade payables that will be repaid within one year and contract liabilities.

	Carrying amount ($000)	Contractual cash flows ($000)	1 year or less ($000)	1–2 years ($000)	2–3 years ($000)	3–5 years ($000)
2019						
Liabilities to clients – term deposits	12	12	12	-	-	-
Other liabilities	877	877	856	15	6	-
	889	**889**				
2018						
Liabilities to clients – term deposits	195	197	47	106	-	44
Other liabilities	867	867	826	20	19	2
	1,062	**1,064**				

17 Audit fees

	2019 ($000)	2018 ($000)
Audit fees	263	263
Audit fees for non-consolidated managed funds	57	57
Other fees paid to auditors*	45	31

*Other fees to auditors comprise fees for remuneration benchmarking services and assurance services for anti-money laundering and countering financing of terrorism risk and compliance assessments.

18 Related-party transactions

(i) Group information

Ultimate Parent

The Group's ultimate Parent is the New Zealand Crown.

Consolidated subsidiaries

- Trading subsidiary – New Zealand Permanent Trustees Limited – a licensed supervisor until 16 January 2018.
- Non-trading companies – subsidiaries are non-trading and have no assets or liabilities.
- Nominee companies – subsidiaries are nominee companies established to undertake business either on behalf of corporate trustee clients in a fiduciary capacity or Public Trust for its managed funds operation. The assets and liabilities are held under trust, and there is no impact on the Group's financial performance, financial position or cash flows.

All subsidiaries are 100% owned.

Unconsolidated structured entities

- Investment funds – as part of its service offering to customers, the Group operates a number of investment funds, established under the Public Trust Act 2001, to meet investment management needs of customers. At balance date, there were five funds in operation (excluding the Funeral Trust Cash Fund) with unit holders' funds of $675 million. The risk of investment losses from unit price declines lies with the funds' unit holders.
- Funeral Trust Cash Fund – the fund is a portfolio investment entity (PIE) managed fund. Funds invested are protected by the Crown guarantee on capital and interest because all fund balances are held within the Common Fund (including revenue earned, investment and cash balances). The Group acts as the trustee, manager and administrator of the fund.
- Special-purpose vehicles – unconsolidated entities wholly owned by the Group. The shareholdings in these entities are held in a fiduciary capacity on behalf of the beneficial owners. These entities are incorporated for a narrow, well defined objective and operate within contractual financial and operating policies that the Group does not have power to alter. Risk lies with the beneficial owner. The Group receives a predetermined fixed fee directly from the beneficial owner for the fiduciary services provided.

The Group has not provided financial support to the funds and special-purpose vehicles during the year and has no intention to provide support in the future.

(ii) Transactions with related parties

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Year	Fees/interest received from related parties ($000)	Amounts owed by related parties ($000)	Amounts owed to related parties ($000)	Investment securities held with related parties ($000)
Ultimate Parent:					
New Zealand Crown	2019	2,627	-	-	-
	2018	2,322	252	-	-
Crown-related parties					
State-owned enterprises	2019	677	-	-	48,799
	2018	1,216	-	-	25,126
Group's unconsolidated entities					
Investment funds*	2019	4,266	-	-	-
	2018	3,997	-	-	-
Funeral Trust Cash Fund	2019	-	-	25,250	-
	2018	-	-	26,679	-

*Excluding Funeral Trust Cash Fund.

Terms and conditions of transactions with related parties

New Zealand Crown: Revenue from the Crown mainly arises from an output agreement between Public Trust and the Minister of Justice (with the agreement of the Minister of Finance). The agreement covers certain non-commercial services that are either paid for or subsidised by the Crown to ensure that, among other things, reasons of affordability do not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs.

Investment funds: The Group receives management and administration fees under the terms of the trust deeds. The Group does not hold units in the funds. Any outstanding balances with investment funds are unsecured and repayable on demand, and interest is paid at market rates.

(iii) Key management personnel

Key management personnel comprise the Chief Executive and permanent, seconded or contracted members of the Executive Team. No key management personnel have disclosed that they or their immediate relative or professional associate have any dealing with Public Trust that has been either entered into on terms other than those that, in the ordinary course of business, would be given to any other person of like circumstances or by means that could otherwise be reasonably likely to influence materially the exercise of the key management personnel's duties in Public Trust.

Key management personnel compensation comprises:

	2019 ($000)	2018 ($000)
Short-term employee benefits	2,490	1,971
Post-employment benefits	-	-
Termination benefits	-	83
	2,490	**2,054**

19 Commitments and contingencies

	2019 ($000)	2018 ($000)
Analysis of operating lease commitments		
Payable within 1 year	3,680	3,829
Payable after 1 year and within 5 years	3,325	5,009
Payable after 5 years	319	525
	7,324	**9,363**

	2019 ($000)	2018 ($000)
Capital commitments		
Purchase of property, plant and equipment	60	118
Purchase of intangible IT assets	243	547
	303	**665**

Contingent liabilities

The Group had no contingent liabilities at 30 June 2019 (2018: nil).

20 Revenue from contracts with customers

(i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2019 ($000)	2018 ($000)
Retail revenue from Crown	2,627	2,322
Retail fee revenue	40,383	34,071
Retail	**43,010**	**36,393**
Corporate Trustee Services	12,334	11,050
Total revenue from contracts with customers	**55,344**	**47,443**

(ii) Contract balances

	2019 ($000)	2018 ($000)
Trade receivables (note 9)	2,658	2,627
Contract assets	9,583	7,232
Contract liabilities	312	317

Contract assets are initially recognised for revenue earned from services performed where receipt of consideration is conditional on successful completion of performance obligations. The significant increase for contract assets in 2019 is a result of an increase in unbilled ongoing services at the end of the year and a reduction in discount rates for contract assets with a significant financing component.

The Group has applied the practical expedient under NZ IFRS 15 permitting non-disclosure of information for partially unsatisfied performance obligations as at the end of the reporting period on the basis that all partially unsatisfied performance obligations are either part of contracts with original expected duration of 1 year or less or the Group has a right to invoice for the partially satisfied performance obligations.

Contract liabilities include prepaid income and prepaid estate administration. The outstanding balances of these accounts have marginally decreased in 2019 due to the progressive completion of prepaid estate administration contracts.

21 Comparison of budget to actual

Assets and liabilities

Financial assets have decreased against budget mainly due to the decrease in investment securities. This decrease in investment securities was mainly due to repayment of client liabilities. Correspondingly, liabilities to clients have also decreased against budget.

Revenue

Net revenue was $4.0 million lower than budget due to lower than projected retail fees and investment revenue resulting from lower volume and interest margins earned on Common Fund deposits. This was partially offset by increased management fees from higher funds under management for the Public Trust Investment Service.

Expenses

Overall expenses were lower by $4.5 million when compared to budget mainly due to lower staff headcount and discretionary marketing during the year. Risk and professional costs were also down with less external contractor and consultant spend on projects. This was partially offset by higher restructure costs during the year.

Cash flows

Net inflows from investing activities was $31 million below budget, and net outflows from financing activities was $16 million below budget. This is mainly due to Fee Protect and cash on call funds withdrawals occurring at lower than expected volumes.

22 Events after the reporting period

There are no events subsequent to the end of the reporting period that require disclosure.

23 Other statutory information

Employee remuneration

The number of employees whose remuneration paid exceeds $100,000 is presented in the following bands.

	2019 Number of employees	2018 Number of employees
$100,000 to $109,999	25	17
$110,000 to $119,999	13	13
$120,000 to $129,999	12	9
$130,000 to $139,999	8	9
$140,000 to $149,999	6	4
$150,000 to $159,999	8	5
$160,000 to $169,999	2	1
$170,000 to $179,999	-	2
$180,000 to $189,999	3	2
$190,000 to $199,999	1	1
$200,000 to $209,999	1	1
$210,000 to $219,999	2	1
$220,000 to $229,999	1	-
$280,000 to $289,999	1	-
$290,000 to $299,999	2	1
$310,000 to $319,999	-	2
$320,000 to $329,999	-	1
$330,000 to $339,999	1	-
$390,000 to $399,999	1	-
$520,000 to $529,999	1	1

Remuneration is inclusive of payments for leave entitlements and, for those employees who left Public Trust's service during the year, exclusive of any compensation or other benefits paid in respect of employment cessation.

Employment cessation payments

During the year, 101 permanent and fixed-term employees received collectively $855,918 relating to the cessation of their employment with Public Trust (2018: 108 employees received collectively $646,555 relating to the cessation of their employment with Public Trust).

Insurance and indemnities

Public Trust holds Board members' and officers' liability, statutory liability and professional indemnity insurance cover in respect of liability for loss or costs incurred by a member of the Board or an employee of Public Trust (or any of its subsidiaries) in the course of their duties to Public Trust.

Public Trust indemnifies certain employees in accordance with the Crown Entities Act 2004.

Board member remuneration

	Board 2019 ($000)	Sub-committee 2019 ($000)	Board 2018 ($000)	Sub-committee 2018 ($000)
Ian Fitzgerald	56	-	51	-
Fiona Oliver	35	5	35	5
Graham Naylor	28	4	28	4
John Duncan	28	5	28	1
Bevan Killick	28	2	28	1
Dianne Williams (term ended 31 Oct 2018)	9	1	28	4
Simon Craddock (term ended 31 Oct 2018)	9	1	28	1
Sarah Roberts (term ended 31 August 2017)	-	-	9	-
Vicki Sykes (appointed 1 April 2019)	6	1	-	-
Kirsty Campbell (appointed 1 April 2019)	6	1	-	-

Independent auditor's report

To the readers of Public Trust's Group Financial Statements and Performance Information for the year ended 30 June 2019.

The Auditor-General is the auditor of Public Trust and its subsidiaries (the Group). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the Group on pages 35 to 64, that comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 30 to 31.

In our opinion:

- the consolidated financial statements of the Group on pages 35 to 64:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information on pages 30 to 31:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2019 including:
    - for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the consolidated financial statements and the performance information* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

In addition to the audit we have carried out audits of collective investment schemes managed by Public Trust and engagements in the areas of anti-money laundering compliance and market-based salary benchmark information, which are compatible with the independence requirements. Other than the audit and the additional audits and engagements, we have no relationship with or interests in the Group.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 29, 32 to 34 and 68, but does not include the consolidated financial statements and the performance information, and our auditor's report thereon.

Our opinion on the consolidated financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board for the consolidated financial statements and the performance information

The Board is responsible on behalf of the Group for the preparation and fair presentation of consolidated financial statements and performance information in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004, the Public Trust Act 2001 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the consolidated financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of the consolidated financial statements and the performance information.

For the budget information reported in the consolidated financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

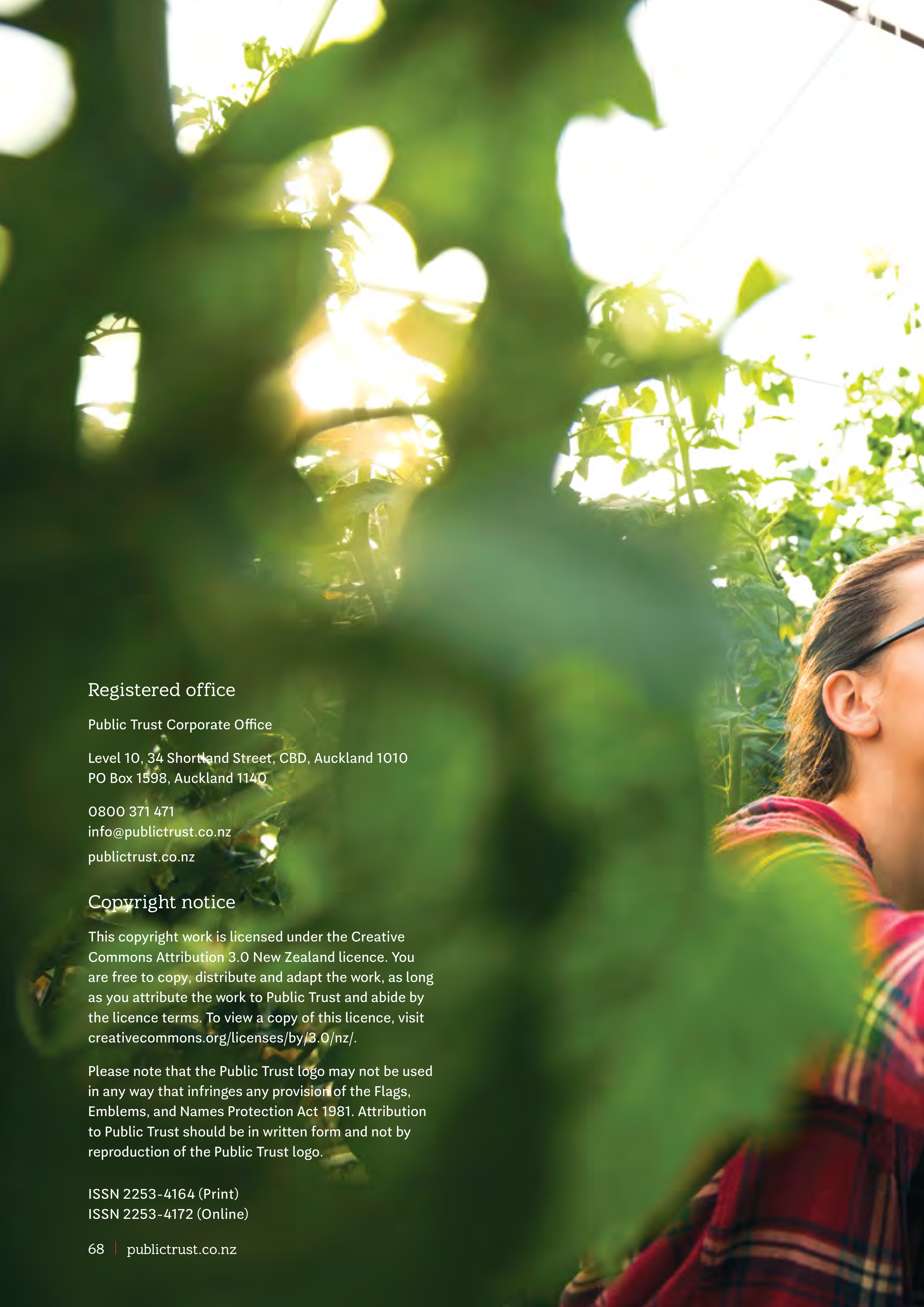
We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibilities arise from the Public Audit Act 2001.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand
10 September 2019



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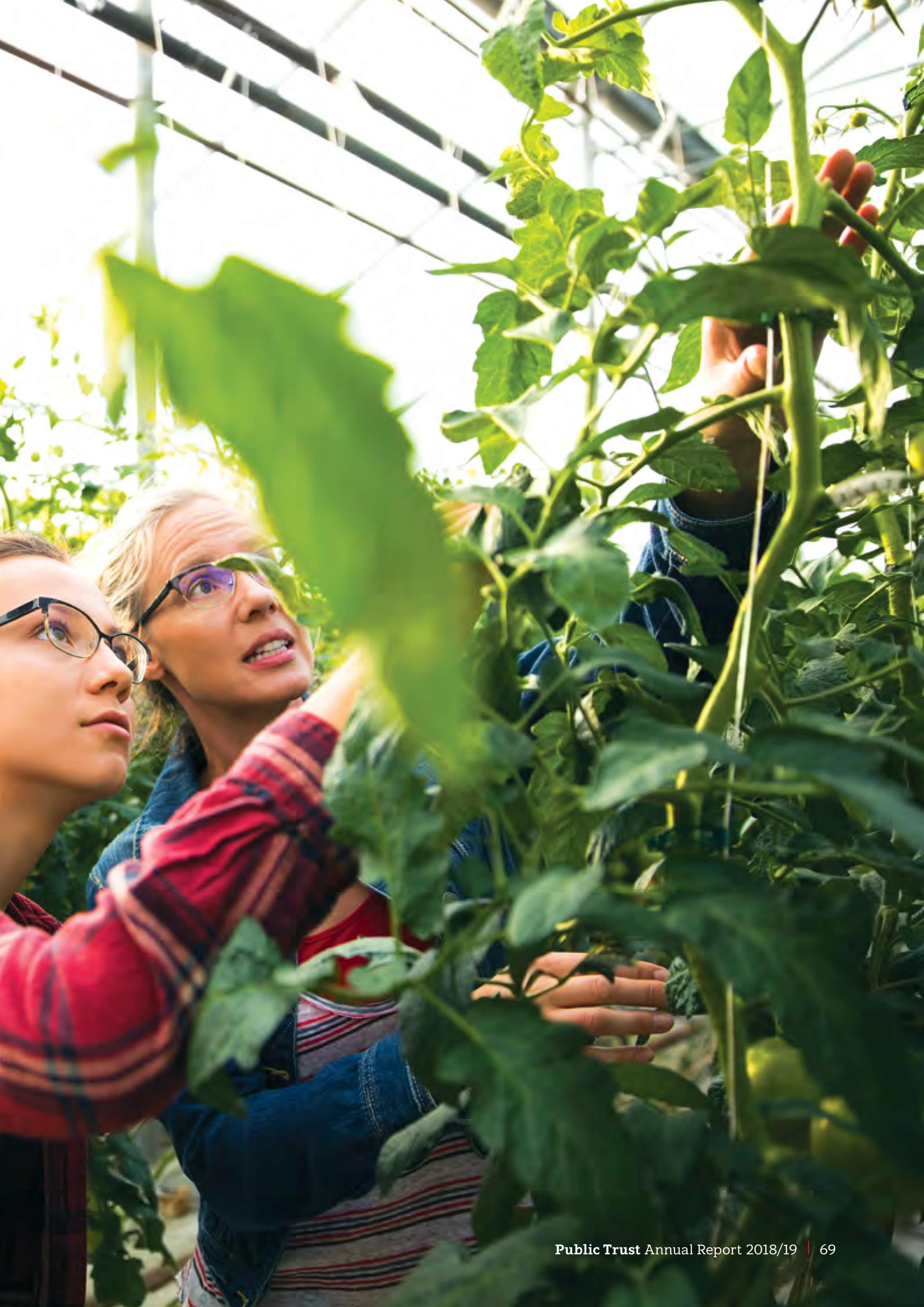
ISSN 2253-4164 (Print)
ISSN 2253-4172 (Online)



Public Trust

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