ANNUAL REPORT 2015

with you for generations to come

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; and

— 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 has been prepared to meet the requirements of:

— Section 150 of the Crown Entities Act 2004; and

— Public Trust's 2015 Statement of Intent.

It covers the activities for the year ended 30 June 2015. On behalf of the Board we have the pleasure of presenting the annual report of Public Trust for the year 1 July 2014 to 30 June 2015.

Sarah Roberts
Chair

Dinu Harry
Chair, Audit Committee

7th October 2015

Public Trust has a long tradition of looking after the interests of New Zealanders - it's what we've been doing since we were established in 1873.

Contents

Public Trust has been part of kiwi life for over

140 years

Foreword from the Chair

Over the last year Public Trust has successfully continued on its journey towards completing its transformation plan and focusing on initiatives required to achieve revenue growth, while continuing to minimise its cost base. The goals for the business remain unchanged: to achieve core trustee business profitability, deliver a quality customer service and grow revenue.

While the business continues to under-perform, Public Trust's progress this year has helped lay the foundations for a scalable business, which will allow the business to focus on the next phase of implementation and embedding the changes. Simplification and de-risking measures have continued, including the effective run-off of the mortgage book and asset rationalisation.

While outside the financial year covered by the Annual Report, the Board is delighted to have two new board members joining us from 1 November 2015, John Duncan and Simon Craddock. Together they bring extensive commercial, transformation and governance experience to the Board. John's background includes his role as Executive Director Head of Debt Capital Markets at Goldman Sachs from 2008 – 2014. Simon has broad general management experience in substantial business operations, with significant business restructuring and change management experience.

Public Trust's underlying operational performance showed a marked improvement on last year. However, some key one-off changes in our transformation programme have impacted the overall financial result. Certain aspects of the plan were accelerated and additional opportunities identified, both resulting in higher costs during this financial year.

While Public Trust had an improved operating profit, it incurred a loss after tax of $2.9 million compared with a budgeted profit of $0.2 million, reducing equity to $39.2 million.

The loss was driven by one off restructuring costs, accounting adjustments and provisions.

Following changes made to the Non-Bank Deposit Takers Regime, from May 2015 Public Trust was no longer regulated by the Reserve Bank of New Zealand under that regime. Public Trust accordingly informed Moody's that its credit ratings (long-term deposit rating of Aaa and issuer rating of Aa3) were no longer required, and the ratings were withdrawn simply on that basis. While Public Trust's exit from the NBDT regime has realised significant cost savings, the business has elected to continue to comply with the regime's process and monitoring requirements for continuing good governance. At the end of the financial year Public Trust's capital ratio sat at 10.9%, well above the 8% minimum required by the regime.

We are well on track to achieve our goal for Public Trust. There will always be challenges, but we remain confident that Public Trust is set to become a modern, profitable, customer-centric and fit-for-purpose business.

Sarah Roberts
Chair

7th October 2015

Report from the Chief Executive

I'm pleased to report that Public Trust is on track to deliver its vision to be the best trustee services provider in New Zealand, and we're also cementing our position as the largest single provider of trustee services in the retail market.

It's been a very busy year implementing our Business Transformation Plan, with a number of activities running in parallel; rolling out organisational change, launching new services and designing our new IT systems.

During periods of such significant change, it's always a challenge to stay focused on every day operations. It's to the great credit of the Public Trust team that we've risen to the challenge and improved our customer satisfaction, as well as slightly increasing our trustee services revenues over the past financial year.

Organisational change

During the year we completely reorganised our Retail team and made some changes to our corporate functions. Within Retail, we've decentralised operations, and moved decision making and service delivery closer to the customer. This has empowered our frontline, and enabled us to provide a more customer focused and efficient service.

At the corporate function level, we've created specialised legal and accounting centres of excellence. This ensures the highest standards in these disciplines and enable the corporate office to provide the best support function possible for delivering positive customer outcomes.

Launch of new services

To be successful in today's market, an organisation like ours needs to embrace the concept of unbundling services and building business partnerships around that model.

During the year we introduced our new service, Executor Assist, which was the complete unbundling of our estate administration service. This has allowed us to provide this service to estates where we're not the executor. This not only enables us to help private executors, but also paves the way for Public Trust to build partnerships with lawyers, accountants and banks. On the back of this success, we're now looking at other new products to further develop this partnership approach.

New systems

We announced the signing of our systems integration contract with leading Microsoft Gold partner, Intergen last year. Since then we've been working with them to replace all our core operating systems with a specialist trust software package from Touchstone PLC in the United Kingdom.

This major programme of work is well advanced. New systems are critical to taking Public Trust forward – not only by ensuring we have efficient business processes, but also by future proofing our IT platform to take advantage of the opportunities that the internet, mobility and social media will provide in the future.

Retail

As I mentioned earlier, our Retail business has gone through substantial change this year. It's been a challenging time and the team are stepping up to the challenge.

Our focus has been on building a customer centred organisation that delivers a responsive service to our customers. We've also concentrated on building efficiency by substantially reducing hand-offs and the transfer of work between teams.

This structure, in conjunction with the unbundling of our services, and our new IT capability, positions Public Trust well to substantially grow its Retail revenue in the future.

Business

Corporate Trustee Services (CTS) has continued to show steady growth, and we're proud to be the corporate trustee for many recognised brands in New Zealand. We've invested more resources into CTS to position it for growth and continued operational excellence. Working with our strategic partner Apertyx (a wholly owned subsidiary of NZX Ltd) we are well placed to grow our custodial business.

In other parts of our business, our trust customers experienced strong investment returns during the year, provided through the tailored investment strategies developed by the Investment Services team. Public Trust has $379 million under management for its fiduciary customers.

We've also maintained our leadership position in Fee Protect (a fee payment service to overseas students studying in New Zealand). We peaked at $207.7 million of fees under management during the year.

Executive team

During the year we welcomed two new team members to the Executive: Simeon Wright as Chief Financial Officer and Karen Hutson, General Manager – Human Resources. Simeon was previously the General Manager, Finance at Compass Group NZ Ltd and Karen Hutson was Head of HR Business Partnering at IAG Australia.

In the future, FY 2015 will be seen as the foundation year for the modern Public Trust and we're now looking forward to capitalising on this platform to substantially grow the business.

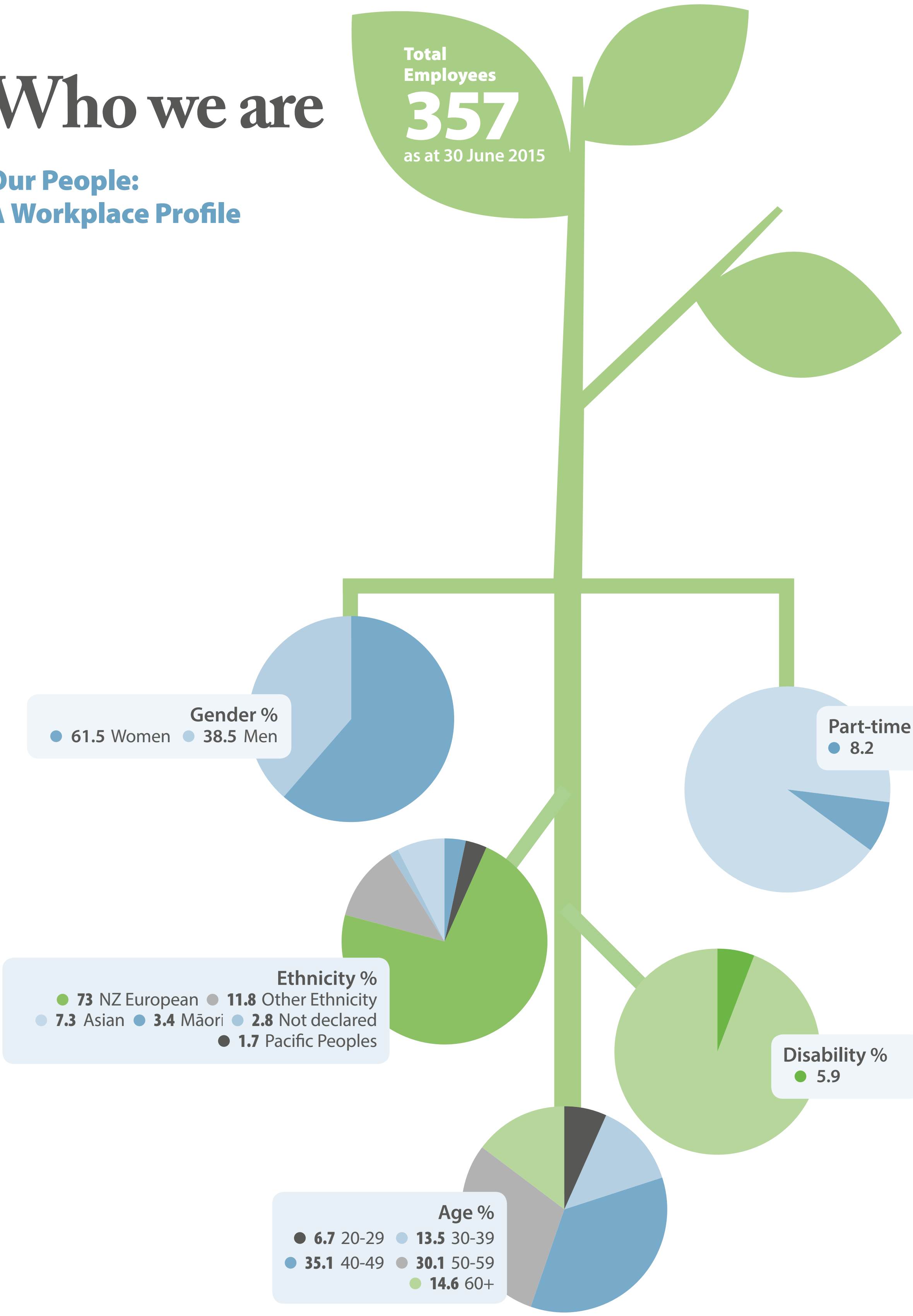
Bob Smith
Chief Executive

7th October 2015

We have a strong,
focused
and dedicated Executive team
intent on transforming the business, with the execution of our Business Plan well under way.

Who we are

Our People: A Workplace Profile



Organisation Capability

Good employer

Public Trust operates employment policies and programmes aimed at being a good employer. Public Trust's human resources policies address structural discrimination and bias in employment and are reviewed annually.

We recognise that a continued focus on people and culture is a critical success factor for the organisation. To deliver to our customers and increase revenue, we require a high-performing and engaged workforce where all employees work to high standards.

In 2014/15 the focus of our Human Resources Plan has been to build a customer-centred performance organisation, where every single Public Trust employee takes responsibility to ensure we provide a great customer experience. To achieve this, we've focused on four areas: building leadership capability; driving performance; accelerating talent; and increasing employee engagement.

Leadership

Building leadership capability is an ongoing focus for us and this year we've concentrated on how developing the leadership potential of our people and driving better performance. We've run a series of short, focused workshops for people leaders around leading change, communication, impactful conversations, development conversations, and coaching for results. We've also hosted quarterly Leaders Days, which provide all leaders with an update on our Business Plan, our results and progress.

Recruitment, selection and induction

Our strategy for recruitment focuses on having fast, thorough and targeted processes that allow us to recruit the skills and capability we need to deliver our Strategy and Business Plan.

The introduction of a new business model in Retail has meant a higher than normal level of recruitment this year. The new model moves decision making and customer fulfilment closer to the customer, and is intended to increase efficiency by having the right people working on the right things.

Development, remuneration and recognition

This year we've paid special attention to driving performance by highlighting line of sight to our Business Plan and working with our people to develop individual performance plans that are connected to the Business Plan. Our goal is to ensure every employee knows what we need to achieve and how we'll do it.

We've also paid special attention to increasing employee engagement and talent acceleration across the organisation. Our remuneration strategy remains fiscally responsible and has enabled Public Trust to align to the market and to reward for performance.

Flexibility and work design

Public Trust continues to offer flexible working practices, balanced with our business priorities. Employees can access the Public Trust email system and their computer desk-tops from home. Part-time work, flexible working hours and casual arrangements are available to all who are interested, subject to the nature of their job. This particularly suits those returning to the workforce from parental leave, or who are preparing for retirement.

Internal communication

Effective communication remains a priority for Public Trust and is a key area of focus of our Business Plan. All internal communications are aligned to our Strategy and Business Plans, and provide line of sight to our immediate deliverables and future aspirations.

Our intranet remains well used and effective as a primary communications channel across Public Trust. Further enhancements have recently been completed, including the addition of more interactive, two-way online conversations for employees.

Health and Safety

The health and safety of our staff and customers is paramount. In 2014, a health, safety and wellness review was completed, which identified some key opportunities to further improve our approach, and ensure we're well placed to meet current and future health and safety legislation.

As a result of this work, our health, safety and wellness policy has been updated, and Public Trust Executive team members are sponsoring specific improvement initiatives to fulfill our strategic objectives for health, safety and wellness.

In 2014/15 we had 46 reported incidents from minor to high severity, of which 37 have been resolved and 9 remain outstanding.

Public Trust maintains a zero tolerance policy towards bullying or harassment of any kind. Education through managers is supported by appropriate investigation and disciplinary action.

What we do

Nature and scope of our business

Public Trust's core business is providing Wills and Enduring Powers of Attorney (EPAs), estate management (ongoing and distributable), Protection of Personal and Property Rights Act (PPPR) and personal management services, trusts and investment services for fiduciary customers.

Wills and EPAs

Writing a Will and setting up Enduring Powers of Attorney are the initial steps in the estate planning process. Wills set out the wishes of our customers for how their affairs are to be managed after they are gone, while EPAs set out who can take care of their personal or financial matters if they can't. We are the single largest provider of Wills in New Zealand.

Estate management

We administer and manage both immediately distributable and ongoing estates, carrying out the wishes of our customers as they have set out in their Wills. We make sure that their assets are transferred to beneficiaries as smoothly and efficiently as possible. We administer approximately 2,000 new estates each year.

PPPR and personal management services

The Protection of Personal and Property Rights Act 1988, is designed to assist and protect adults who, because of incapacity, are unable to make or communicate decisions or manage their own affairs and do not have an EPA in place. Public Trust has the expertise to provide assistance to these people. Our personal management services are tailored to help people manage their financial and property matters including paying bills, managing bank accounts, buying or selling assets, arranging home repairs and applying for pensions.

Trusts

We work with retail, business and corporate customers, including charitable trusts and ongoing estates, to manage their funds. We safeguard student fees on behalf of private training establishments through our 'Fee Protect' services. We also have trustee oversight of 25 farms across 17,000 hectares, including the trust administering Smedley Station, New Zealand's largest training farm.

Corporate Trustee Services

Through Corporate Trustee Services (CTS) we provide premier trustee services and leading prudential independent supervisory oversight to the New Zealand corporate market.

Investment services for fiduciary customers

We provide investment management services for a range of customers and ensure our customers can access effective and appropriate investment services. Our Common Fund is government guaranteed, subject to strict investment guidelines, and integral to the operation of our business. It comprises trust accounts for fiduciary customers and term deposits which we pool and invest directly.

Social good

Under various statutes, Public Trust has specific responsibilities in relation to providing protective fiduciary services to New Zealanders. This includes PPPR (see above) and some estate management services, for which we receive funding from the Ministry of Justice through a service agreement. In addition, in some instances, Public Trust may be required to act as Trustee of Last Resort to provide fiduciary services when there is no other provider, or other providers are deemed not to be appropriate.

Regulatory Environment

Public Trust operates in an environment that is subject to significant regulatory control and reform. The level of regulatory change has been substantial and will continue to be, with new legislation, regulations, guidance notes and amendments to existing legislation.

In January 2015, the Reserve Bank of New Zealand and Public Trust agreed the conditions under which Public Trust would be exempted from the requirements of the Non-Bank Deposit Takers Act 2013. The agreed exemption has now been included in the Non-Bank Deposit Takers (Declared-out Entities) Regulations 2015, effective 1 April 2015.

The Financial Markets Conduct Act, which came fully into force on 1 December 2014, will change how we offer some of our financial services, and will require ongoing review and consultation to ensure we are meeting our obligations to our customers, particularly in the corporate trustee market. The Government has accepted the Law Commission's recommendation for a new Trusts Act but said further analysis of the other recommendations was required. The Minister of Justice has formed a Trusts Reference Group, which will consider those remaining recommendations and any other matters that will determine the content of a new Trusts Act.

Meeting our Strategic Objectives

Our vision is to be the best trustee services provider in New Zealand.

To bring this to life, the primary objectives of Public Trusts' strategic plan as outlined in the Statement of Intent covering the period 1 July 2014- 30 June 2018 and the Statement of Performance Expectations for the period 1 July 2014- 30 June 2015 are to:

— be a simplified and focussed business;

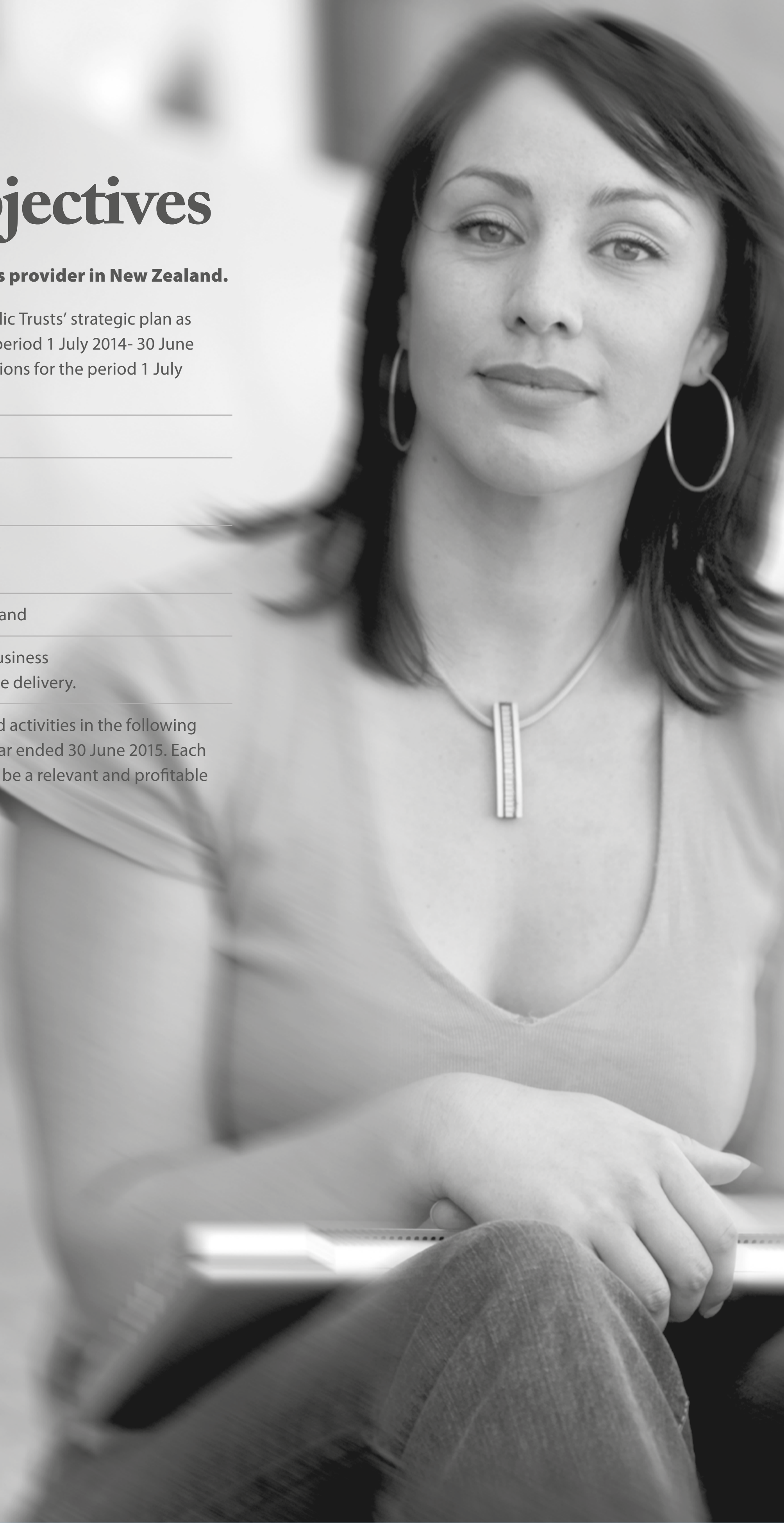
— be relevant and effective in how we attract and service customers;

— improve productivity and profitability and be commercially aware;

— streamline processes to improve efficiencies; and

— invest in technology systems to de-risk the business and to allow more flexible and efficient service delivery.

In order to achieve these objectives, the goals and activities in the following table were identified as key focus areas for the year ended 30 June 2015. Each of these activities links back to the overall goal to be a relevant and profitable business delivering quality customer service.



Vision: to be the best trustee services provider in New Zealand					
Overall Goal: Public Trust is a relevant and profitable business delivering quality customer service					
Business Goals	**Goal**	**Activity**	**Measure**	**Outcome**	**Contributes to the following strategic objectives**
Customer Experience	Improve the quality of customer service delivery	Solve process and structure inefficiencies enabling staff to be more accountable	Customer satisfaction measured through independent survey Reduction in number of complaints, as measured by GM Retail complaints log	Customer satisfaction as measured in June 2015: 91%** Complaints increased during the year due to change in definition and increased focus on capturing all instances of dissatisfaction for all clients	Be relevant and effective in how we attract and service customers
Culture	Build and support a customer-centered, performance focused and commercially aware culture	Develop a culture change programme supported by communication and performance reporting Develop talent management programme	Employee engagement Level of turnover of high potential employees is at 15% or below Decrease in the total recordable injury rate (TRIFR)	Not measured in this reporting period Turnover: 0% For key leadership roles in the business excluding the Executive team Recorded injury rate has increased during the year to 21.5 from 6.0. This is due to improved reporting by farms of medical treatment injuries*	Improve productivity and profitability and be commercially aware; Streamline processes to improve efficiencies
Revenue	Ensure a stable revenue base for core profitability	Grow revenue through increasing market share and targeting profitable segments, improving awareness and neutralising declining fees	Profit (loss) for the year Return on equity Capital ratio Cost to income ratio Satisfactory progress towards achieving milestones and targets in product development projects	(2,875)** (7.0%)** 10.9% ** 96.2% ** Achieved. Executor Assist (new product) launch April 2015	Improve productivity and profitability and be commercially aware; Be a simplified and focused business; Be relevant and effective in how we attract and service customers

Business Goals	Goal	Activity	Measure	Outcome	Contributes to the following strategic objectives
Costs	Reduce the cost base and maintain a lower cost structure	Reduce and contain costs through improved efficiency and productivity; implement premises and Full Time Equivalent (FTE) plans	Profit (loss) for the year Return on equity Capital ratio Cost to income ratio Satisfactory progress towards achieving milestones and targets in premises and FTE plans	(2,875)** (7.0%)** 10.9% ** 96.2% ** Premises: satisfactory progress. The review of properties in 2014, based on the Public Trust seismic policy, resulted in relocating a number of offices that were outside policy and negotiating with landlords to undertake strengthening work. This work has been completed Consolidation of office space in Auckland CBD has been complete FTE: Employee numbers have continued to reduce in line with Business Plan forecast and a strong focus on containing costs. Strategic structural changes in Retail and Finance, which are designed to transform our delivery model, commenced during the financial year with significant FTE benefits flowing through into the 2015-2016 financial year	Improve productivity and profitability and be commercially aware; Be a simplified and focused business
Corporate Trustee Services (CTS)	Implement a growth and retention strategy to maximise opportunities	Pursue growth opportunities; continue to retain and increase market share; address revenue risks	Profit (loss) for the year Return on equity Capital ratio Cost to income ratio Satisfactory progress towards achieving milestones in implementing the CTS growth and retention strategy, as measured in progress reports to the Board	(2,875)** (7.0%)** 10.9%** 96.2%** Satisfactory progress was made during the year in terms of growth and retention strategy and regular business unit updates were provided to Chief Executive and Board. A number of key CTS appointments were made during the year	Improve productivity and profitability and be commercially aware; Be relevant and effective in how we attract and service customers

Business Goals	Goal	Activity	Measure	Outcome	Contributes to the following strategic objectives
Business Improvement Programme (BIP)	Re-engineer the core busines	Implement the target operating model and build the platform to profitably scale the business	Satisfactory progress towards achieving milestones in: Process workstream, Technology workstream, including funding stage gates Target Operating Model workstream (includes capability and footprint as measured through BIP progress reports to the Board Board satisfaction in level of reporting and quality of governance of BIP. This will include independent review of BIP programme management	The Business Improvement Programme (BIP) has made satisfactory progress towards all key milestones. The programme reports to the Board on a monthly basis, with the Board noting a high level of satisfaction with the quality of reporting and transparency of information provided GemTech have been engaged since mid-2014 to provide Independent Quality Assurance (IQA) across the BIP. GemTech have maintained regular engagement with the programme team to assist in providing monthly assurance to both the BIP Steering Committee and the Board on overall programme performance In May 2015 GemTech completed a detailed review of the programme which noted a number of key strengths and an overall satisfactory outcome	Be a simplified and focused business; Be relevant and effective in how we attract and service customers; Improve productivity and profitability and be commercially aware; Streamline processes to improve efficiencies; Invest in IT and systems to de-risk the business and to allow more flexible and efficient service delivery

* The improvement in injury-incident reporting by farms is a positive outcome that has come about from Public Trust's increased focus on incident reporting by staff. This provides us with a more accurate picture of events that are occurring and allows corrective action to be taken to address risks to health and safety. Total recordable injury frequency rate is calculated by adding all personal harm incidents requiring medical treatment and dividing this by the total number of hours worked by staff and then multiplying this by a million to provide a frequency rate. This will be based on a 12 month rolling average to make it statistically meaningful.

** See report on statement of intent on page 14 for explanatory notes.

Report on Statement of Intent

for the year ended 30 June 2015

The Statement of Intent sets out a number of performance measures and targets.
The following table outlines actual performance against these.

	2014 ACTUAL	2015 ACTUAL	2015 TARGET[7]	2016 TARGET[7]
Ownership perspective				
Profit (Loss) after tax for the year ($000)[1]	4,750	(2,875)	232	1,476
Return on equity[2]	11.8%	(7.0%)	0.6%	3.7%
Capital ratio[3]	15.1%	10.9%	>11%	>11%
Distributions to Crown	Nil	Nil	Nil	Nil
Efficiency and effectiveness perspective				
Cost to income ratio[4]	88.3%	96.2%	93.0%	91.0%
Capability perspective				
Employee engagement[5]	29%	N/A	35%	45%
Customer perspective				
Customer satisfaction[6]	89%	91%	82%	84%

1 2014 includes one off investment gains and other recoveries.

2 Return on equity is surplus (deficit) (including investment gains (losses)) after tax divided by the average of opening and closing equity. This ratio includes the benefit of tax losses.

3 Capital ratio is calculated in accordance with the Non-Bank Deposit Takers' Regulations.

4 Cost to income ratio is total expenses (including mortgage losses and excluding strategic change costs) divided by revenue (excluding investment gains ((losses)).

5 No independent survey of employee engagement completed during the 2015 financial year.

6 Independently conducted survey measuring % of trustee customers with a satisfaction rating of between 6 and 10. (1 = poor; 10 = excellent), measured by AC Nielsen.

7 Source: Statement of Intent 2015 to 2018.

Statement of Service Performance

Under the Public Trust Act 2001, Public Trust is required to operate as an effective business and to exhibit a sense of social responsibility in fulfilling its obligations.

Public Trust has one reportable output under section 149E(1)(a) of the Crown Entity Act. This contributes to the achievement of Ministry of Justice outcomes, and is presented below. Other Public Trust activity and related performance measures are presented in our Statement of Performance Expectations for the period 1 July 2014 – 30 June 2015.

The Justice sector has an outcome of "ensuring that the justice system is accessible to all who require it". Many of the services Public Trust provides contribute to this. In this regard we:

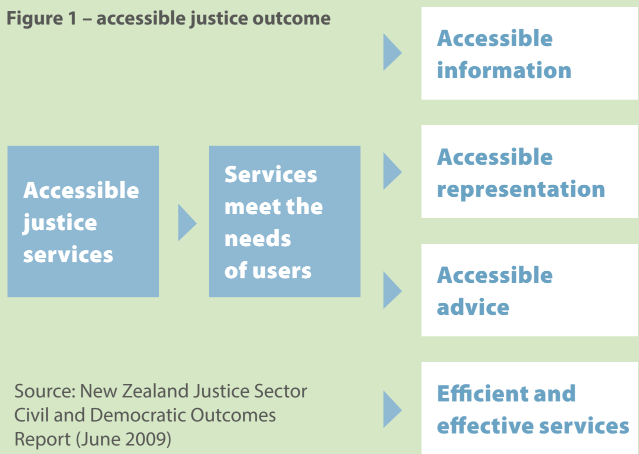
- provide access to quality justice services;
- explain and define the rights of individuals; and
- ensure that the rights of represented individuals are protected and acted upon.

We provide services to people who are not well placed to look after their own affairs and to people who, because they have limited financial means, are unlikely to have their needs met by private sector trustee organisations.

Access to justice

Justice services that are available to all members of the public are a requirement of a fair and democratic society. To achieve the 'accessible justice services' outcome (Figure 1), the services provided by Public Trust need to be accessible to the public and satisfy their requirements on both quality and timeliness. Public Trust must also be able to provide services in an effective and efficient manner.

Figure 1 – accessible justice outcome



Source: New Zealand Justice Sector Civil and Democratic Outcomes Report (June 2009)

Public Trust's contribution

Many of the services provided by Public Trust contribute to the justice sector outcome of enabling access to justice for all through providing quality protective fiduciary services.

Public Trust provides services to people who are not well placed to look after their own affairs and/or to people who, because they have limited financial means, are unlikely to have their needs met by private sector trustee organisations.

The linkages between what Public Trust does (its services) and the outcome are shown in Figure 2.

Figure 2. – Public Trust services and outcomes

Outcome

Accessibility of the justice system to all who require it

These Impacts contribute to the following outcome

Impacts

Access to advice and justice services are known and available for individuals including those who otherwise may not be able to afford them.

Individuals' rights are explained and defined

The rights of represented individuals are protected and acted upon

These Services create the following Impacts

Services

Advice provided on behalf of incapacitated persons on matters relating to PPPR Act PPPR Administration, audit and advice services to incapacitated persons

Administration of small estates and trusts

Representation, audit, review, administration of the assets and rights of missing, unknown or incapable owners.

Each year, Public Trust and the Crown (acting through the Minister of Justice) enter into an Agreement under which the Crown purchases a range of non-commercial protective fiduciary services. Under the Agreement, non-commercial protective fiduciary services are paid for 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. Payment of these services is managed by the Ministry of Justice on behalf of the Crown.

Outcomes

The services provided by Public Trust impact:

— Accessible justice services.

Intermediate outcomes

The intermediate outcomes for Public Trust are:

— Access to quality justice services is known and available;

— Individuals' rights are explained and defined; and

— The rights of represented individuals are protected and acted upon.

Services

The non-commercial services provided by Public Trust under the Agreement are classified as:

Service 2: Providing Protection of Personal Property Rights Act 1988 (PPPR Act), administration, audit and advice services to incapacitated persons, or under Public Trust agencies;

Service 3: Advice and research relating to inquiries provided on behalf of incapacitated persons on matters relating to the PPPR Act, or under Public Trust agencies;

Service 4: 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; and

Service 5: Representation, audit, review or administration of assets and rights of missing, unknown, incapable or insolvent owners and other public functions. Together these are referred to as the Services.

Access to quality justice services is known and available

We know that people have access to and are aware of quality justice services when:

— customers are satisfied with the quality and timeliness of its outputs and Public Trust receives referrals from its customers, the Courts and other service providers;

Performance measure	Achievement
Overall customer satisfaction > 80%	91%[1]
Overall Beneficiary Satisfaction >50%	64%[1]

— we continue to maintain a mix of channels through which the public and others can easily access Public Trust and its services; and

— reduction in number and level of complaints, as measured by the General Manager Retail complaints log.

Performance measure	Achievement
Reduction in number and level of complaints	Complaints increased during the year due to change in definition and increased focus on capturing all instances of dissatisfaction for all clients
Nationwide network of Public Trust offices available during business hours	Public Trust operates out of 22 full time and 17 by appointment sites spread across the country
0800 customer line available during business hours with <5 hours unavailable	Achieved. Outages for 2014/2015 totalled 2.5 hours
Website available with <40 hours downtime	Achieved. Outages for 2014/15 totalled 23.55 hours
Satisfactory progress towards achieving milestones in Process workstream of BIP, measured through BIP progress reports to Board	Achieved. Board reports issued monthly outlining progress towards agreed milestones
Satisfactory progress towards achieving milestones in Technology workstream of BIP, measured through BIP progress reports to Board	Achieved. Board reports issued monthly outlining progress towards agreed milestones

Individuals' rights are explained and defined

It is not always easy for individuals to understand the areas of the law that Public Trust operates in. Part of our role is to explain to individuals' rights to them. In many cases, this also involves having to define those rights. We know we are performing this role well when:

— our people have the right technical/legal knowledge and can effectively apply and communicate that knowledge to our customers;

— we provide the right advice;

— we have the policies, systems and processes in place to support the delivery of high quality and consistent advice and our internal quality assurance processes indicate these are working as intended; and

— we receive enquiries from organisations and other professionals because we are recognised as being an authoritative source of advice.

Public Trust is currently funded to provide advice on matters relevant to the PPPR Act 1988[2], or assist with PPPR agencies where the recipient cannot meet the charges of the service.

The rights of represented individuals are protected and acted upon

To ensure access to justice, Public Trust also protects the rights of customers who cannot represent themselves (e.g. because they are absent, incapacitated or deceased). We know that we are having the intended impact:

— by the number of people who we protect directly in actively protecting their rights;

— by the number of people we help to protect indirectly through PPPR manager audits; and

— by providing the Courts with guidelines aimed at ensuring the quality of PPPR managers.

[1] AC Nielsen Customer Experience survey June 2015. (Trustee and beneficiary satisfaction)

[2] Protection of Personal and Property Rights, under the Protection of Personal and Property Rights Act 1988.

Service 2: Providing Protection of Personal Property Rights Act 1988 (PPPR Act) administration, audit and advice services to incapacitated persons, or under Public Trust agencies.

Administration, audit and advice services to incapacitated persons pursuant to the Protection of Personal and Property Rights Act 1988 (the PPPR Act), under orders or elections, or under the Public Trust Agencies, where charges to the recipient will not meet the cost of the service.

Quantity

Performance measure	Achievement
6232 actions administering the financial affairs of incapacitated persons under the Protection of Personal and Property Rights Act	Achieved 6,577 actions administering the financial affairs of incapacitated persons

Service 3: Advice and research relating to enquiries provided on behalf of incapacitated persons on matters relating to the PPPR Act, or under Public Trust agencies.

Performance measure	Achievement
1442 enquiries to provide services and advice on behalf of incapacitated persons	Not achieved 935 enquiries Levels of demand and actual service requirements are variable

Service 4: 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.

Performance measure	Achievement
5,600 hours to manage and advise on small estates and trusts	Not achieved 5,433 hours spent managing and advising on small estates and trusts
700 tax returns prepared for small estates and trusts	759 tax returns completed

Service 5: Representation, audit, review or administration of assets and rights of missing, unknown, incapable or insolvent owners and other public functions.

Quantity

Performance measure	Achievement
40 hours spent providing services to missing, unknown, incapable or insolvent owners and other public functions	Achieved 272 hours spent providing services

Revenue and expenses

Goal estimate	Actual performance
Revenues earned $2.627 million (GST exclusive)	Revenues earned $2.627 million (GST exclusive)
Expenses incurred $2.627 million (GST exclusive)	Estimated expenses incurred $2.627 million (GST exclusive)

Governance

Public Trust is a statutory corporation under the Public Trust Act 2001, and is deemed to be a statutory entity for the purposes of the Crown Entities Act 2004, and the Public Finance Act 1989. Public Trust is governed by a Board appointed by the Minister of Justice acting with the agreement of the Minister of Finance (together, the responsible Ministers).

Role of the Board

The Public Trust Board is made up of not fewer than five and not more than nine members. The Board currently has seven members: Sarah Roberts (Chair), Fiona Oliver (Deputy Chair), Dinu Harry, Lyn Lim, Sue McCormack, Diana Puketapu and David Tapsell.

The Board has responsibility for the affairs and activities of Public Trust. The Board recognises the importance of focusing on governance of the business and value growth, rather than 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 under authorities delegated by the Board.

Separation of the governance role of the Board from the management role of the Chief Executive is reinforced by the express ban in the Public Trust Act 2001, on the Chief Executive being a member of the Board. In addition to providing leadership to and effective management of the Board, the Board Chair acts as the primary interface between the Board and the Chief Executive and management. The Board provides the Minister of Justice with formal reports on a quarterly basis.

The Board is committed to the highest standards of ethical behaviour and accountability. It operates under a Charter, the purpose of which is to promote high standards of corporate governance and clarify the role and responsibilities of the Board. Committees have been created to increase the overall effectiveness and efficiency of the Board.

Board Committees During the Year ending 30 June 2015

During the year ending 30 June 2015, the Board had four standing committees that operate under delegated authority and Charters approved by the Board: the Risk, Audit and Assurance Committee; the Investment Committee; the Governance and Remuneration Committee; and the Due Diligence Committee. The Chair, by right of office (ex officio), is a member of each Committee.

Membership of the Committees during the year to 30 June 2015 is set out below. Committee members named were members of the applicable Committee for all or part of that year. Members of the Board whose term ended during the year are also noted.

Risk, Audit and Assurance Committee (RAAC) to 30 June 2015

Dinu Harry (Chair)
Fiona Oliver
Diana Puketapu
Sarah Roberts (ex officio)

The RAAC assists the Board in fulfilling its risk-management and audit responsibilities by overseeing and providing advice to the Board on Public Trust's:

- risk management assurance;
- internal control mechanisms;
- internal and external audit functions;
- policies and processes that ensure compliance with applicable legislation, regulations and code of practice; and
- financial statements relating to Public Trust and the Public Trust managed funds.

The RAAC meets a minimum of four times a year. Management, counsel and external and internal auditors attend on request. Board policy is that non-audit services for Public Trust may not be undertaken for, or sought from, the organisation's external auditors without prior RAAC approval.

Investment Committee to 30 June 2015

Rodger Finlay (until 31 December 2014)
Dinu Harry (from 1 October 2014)
Lyn Lim (from 1 September 2014)
Fiona Oliver (Chair)
Diana Puketapu (from 1 September 2014)
Sarah Roberts (ex officio)
David Tapsell (until 31 August 2014)

The Investment Committee meets a minimum of four times a year. The Committee oversees the investment philosophy, policy, strategy, implementation, performance, compliance and risk in respect of the investment of:

— the Common Fund and Public Trust;

— managed funds;

— customer financial assets (including farms and commercial property) where Public Trust is acting as the investment adviser; and

— the free working capital of Public Trust.

Due Diligence Committee to 30 June 2015

Dinu Harry (until 30 September 2014)
Sue McCormack (Chair)
Fiona Oliver (from 1 October 2014)
Diana Puketapu (until 31 August 2014)
Sarah Roberts (ex officio)
David Tapsell (from 1 September 2014)

The Due Diligence Committee supervises the due diligence process for prime documents in respect of securities offered to the public issued by Public Trust and/or in respect of which Public Trust is the trustee. The Committee meets as required.

Governance and Remuneration Committee (GRC) to 30 June 2015

Lyn Lim (from 1 September 2014)
Sue McCormack
Fiona Oliver (Chair until 31 August 2014, member from 1 September 2014)
Sarah Roberts (ex officio)
David Tapsell (Chair from 1 September 2014)

The GRC meets a minimum of three times a year. The committee assists and advises the Board to fulfill its corporate governance responsibilities in relation to the:

— governance and management of the Board's business including through its committees;

— performance of the Board and its committees;

— appointment and remuneration of the Chief Executive and the management of his or her performance;

— human resources strategy; and

— consultation with the Chief Executive on appointment of members of the Executive team, including terms and conditions of employment.

Corporate Governance Framework

Public Trust recently reviewed its overall Corporate Governance Framework, which included a review of Board Committees and consideration of the principles and recommendations set out in the FMA Handbook: Corporate Governance in New Zealand, Principles and Guidelines issued in December 2014.

As a result of this review, Public Trust made some changes to its Corporate Governance Framework which took effect from 1 September 2015, including:

— moving the Enterprise Risk function from RAAC to the Board, and renaming RAAC the "Audit Committee";

— changes to the GRC to emphasise its Human Resources remit, including renaming it the "Human Resources and Remuneration Committee";

— creation of a new Corporate Governance section on Public Trust's website, which among other things, will include copies of the new Board and Committee charters, and Public Trust's Ethics Framework and Code of Conduct Policy.

The FMA Handbook also recommends that entities report against the Corporate Governance principles in their Annual Report, with a copy of this report available on the entity's website.

Given the timing of the changes to its governance framework, Public Trust considers such a report for the 2014-15 financial year would not be practicable or valuable. A full report for the 2015-16 financial year will be included in next year's Annual Report.

Board Members

Sarah Roberts – Chair

LLB (Hons), MInstD

Board Member since May 2007, Chair since 1 July 2013. As Chair is an ex officio member of the Audit; Investment; Due Diligence; and Human Resources and Remuneration Committees.

Sarah is a senior corporate partner with law firm Buddle Findlay specialising in commercial transactions across the public and private sectors. She advises major institutions and substantial companies on a variety of acquisitions, dispositions, joint ventures, management buyouts and structuring matters. Sarah is on the Auckland University Council and for which she is also a member of the Audit and Student Appeal Committees and she is a trustee of the University of Auckland Foundation. She has also served as a member of the board of Healthcare Hawkes Bay and was Chair of Buddle Findlay from 2004 to 2007. She is a member of the Institute of Directors.

Fiona Oliver – Deputy Chair

BA, LLB, MInstD

Board Member since November 2009, Deputy Chair since November 2013. Chair of the Investment Committee. Member of Human Resources and Remuneration; Audit; and Due Diligence Committees.

Fiona has experience in senior operational leadership from roles in Auckland, Sydney and London in asset and funds management, private equity and the wider financial services industry. Until recently, Fiona was General Manager, Wealth Management for AMP Financial Services (NZ) Limited. From 2006 to 2009, Fiona was the Chief Operating Officer of BT Funds Management (NZ) Limited, the investment arm of Westpac. Fiona has also worked as a corporate and commercial lawyer in private practice and in-house in Auckland, Sydney and London, specialising in corporate finance. Fiona is currently a board member of the National Provident Fund and a member of the Risk & Audit board subcommittee of the National Provident Fund. She was appointed as a member of the Inland Revenue Risk and Assurance Committee in 2015. Fiona was a board member of the Insurance Savings & Investment Association (now known as the Financial Services Council of New Zealand Inc) from 2006 until 2009 and a board member of Dress for Success Auckland from 2009 until 2013.

Dinu Harry

BBusS, FCA (PP), CMInstD

Board Member since April 2011. Chair of the Audit Committee. Member of the Investment Committee.

Dinu is a Chartered Accountant with extensive governance, business, and accounting and financial management experience in the public, private and not-for-profit sectors.
He is a director of Dinu Harry Chartered Accountants Limited, and has extensive experience in ethical and sustainable business practices in New Zealand.
Dinu has a proud tradition of involvement with the former New Zealand Institute of Chartered Accountants (NZICA), now Chartered Accountants Australia and New Zealand (CAANZ) where he was a member of the board and Chair of the Council. He has also served on the National Public Practice Committee and Practice Review Board and was President of NZICA in 2010. For a number of years he was a tutor at Massey University in first and second year Financial and Management Accounting and enjoys helping students develop a passion for the profession. He was also until recently Chair of the Audit and Risk Management Committee and a member of the Council of Unitec Institute of Technology, Auckland, positions he held for over six years. He is also a board advisor to a number of private companies and a Chartered member of the Institute of Directors.

Huei Min (Lyn) Lim

LLB(Hons), MInstD

Board Member since July 2014. Member of the Investment; and Human Resources and Remuneration Committees.

Lyn is a commercial lawyer with significant experience in litigation. Lyn specialises in the provision of legal advice to a clientele of largely Asian businesses and high net worth individuals, and is a multilingual speaker of several Asian languages. Lyn is an experienced board member and currently sits on a number of boards, including the Auckland Regional Amenities Funding board, Mykris Limited, Auckland University of Technology, ASB Community Trust, New Zealand Shareholders Association, and the New Zealand Chinese Youth Trust.
Lyn is a partner of the boutique law firm Forest Harrison, which she established in 2006.

Sue McCormack
BA, LLB, MInstD

Board Member since May 2010. Chair of the Due Diligence Committee. Member of the Human Resources and Remuneration Committee.

Sue is senior partner with law firm Mortlock McCormack Law of Christchurch, specialising in corporate and commercial law with a special interest and expertise in insurance and construction law. Sue is an experienced company director and has sat on a number of public and private boards. Sue is Pro-Chancellor of the University of Canterbury, and is honorary solicitor for Dress for Success, Christchurch.

Diana Puketapu
NDA, CA

Board Member since November 2013. Member of the Audit; and Investment Committees.

Diana is a chartered accountant and company director who has held a number of chief financial officer roles, both in New Zealand and overseas. Her most recent role was as CFO at Ngāti Whātua o Ōrākei Corporate Ltd which manages substantial land and business interests in central Auckland. She is currently on the boards of Auckland Council Investments Ltd, World Masters Games 2017 (Auckland), the New Zealand Olympic Committee, Ngāti Porou Holding Company Ltd, and Aotearoa Credit Union.

David Tapsell
LLB, MInstD

Board Member since November 2013. Chair of the Human Resources and Remuneration Committee. Member of the Due Diligence Committee.

David is a senior commercial lawyer and company director. He advises clients on a range of commercial, governance and specialist project matters. His prior governance experience has included Crown bodies such as Te Puia – Māori Arts and Crafts Institute and other commercial entities. He is currently a director on the Pukeroa Oruawhata Group which has substantial property investments in the Rotorua region.

During the financial year Michelle van Gaalen resigned from the Board. She was a Board Member from July 2014 to August 2014.

Executive Team

Bob Smith
BCom, MInstD

Chief Executive

Bob joined Public Trust as Chief Executive in late December 2013. Prior to joining Public Trust, Bob has held a number of positions at chief executive and managing director level, as well as serving on several boards. Bob's strengths are in the areas of strategy, organisational restructuring and operational performance management. He brings with him a wealth of experience in the finance and investment sectors as well as in telecommunications and information technology.

Dennis Church
BBS, MBA, CA, MInstD, CFIP

General Manager – Corporate Trustee Services

Dennis joined Public Trust in 2005, and was appointed to his current role in 2008. With over 20 years' experience in the corporate trustee industry, Dennis has particular expertise in corporate finance, structured finance transactions and all forms of securities issues. He has extensive business experience, including as a sharebroker and as a management consultant with a global consulting group.

Rod Benjes

General Manager – Business Transformation Services

Rod started his role at Public Trust in October 2014. Rod is responsible for leading our organisation-wide transformation programme, aimed at driving business growth and improving customer service. He also oversees our Information Technology Systems and the Information Services team. Rod has a background in information technology and programme management in the financial services industry, and has spent the past 12 years working in senior leadership roles across IT and the business change portfolio.

Simeon Wright
BMS, CA

Chief Financial Officer

Simeon joined Public Trust as Chief Financial Officer (CFO) in February 2015. His role is to support and develop strategy, guide key business initiatives and provide financial insights and analysis. Simeon has worked in CFO roles for the last seven years and been part of senior leadership teams for over ten years, working closely with a number of chief executives to provide strategic advice and leadership. He has extensive commercial and financial experience, gained from working in a number of large multinational organisations, in roles with a range of teams and business functions reporting to me. Simeon is a Chartered Accountant, and a member of Chartered Accountants Australia and New Zealand (previously NZICA).

Karen Hutson
MA, BSc (Psych Hons)

General Manager –
Human Resources

Karen joined Public Trust in July 2015. Prior to this Karen was based in Australia as Head of HR Business Partnering for a multinational insurance corporate. She has extensive experience in both operational and strategic HR management, particularly in major change and transformation projects. Karen has a Master of Arts from the University of Westminster, London, and Bachelor of Science with Honours in Psychology and is an alumni of the 'Global Women' intensive leadership programme. She is also member of the Human Resources Institute of New Zealand (HRINZ).

Matt Sale
BCom, (DipGrad) Finance

General Manager –
Retail

Matt joined Public Trust in February 2014 to lead our customer facing Retail teams, as well as Marketing. Prior to this Matt spent ten years in a variety of senior leadership positions in Financial Services across NZ, Australia and Europe. He has significant experience in creating and leading business and cultural transformations that deliver better results for staff, customers and shareholders.

Liz Style
LLB, LLM

General Manager –
Legal & Risk

Liz joined Public Trust in June 2013. Liz has extensive commercial, legal and operating experience at a senior level, and has held roles as general counsel and chief operating officer, in addition to many years spent in private legal practice. Liz's previous commercial experience includes project management, change management, and corporate structure and governance.

Monique Twort
BBS

General Manager –
Business Customers

Monique joined Public Trust in 2010 and was appointed to her current role in July 2013. Monique has extensive commercial experience in senior management roles in the finance, investment and professional services sectors. She has significant experience in developing and leading business change and operational improvement. Monique's strengths are in the areas of strategy implementation, operational management, change management and people leadership.

During the financial year:

Martin Jones resigned as Financial Controller. He was Financial Controller from July 2013 to March 2015.

Mike Creamer resigned as General Manager – Business Implementation. He was General Manager – Business Implementation from January 2013 to October 2014.

Jan O'Neill resigned as General Manager – Human Resources. She was General Manager –Human Resources from November 2013 to May 2015.

Financial Information

Contents

Funds under Management

as at 30 June 2015

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.

	2013 ACTUAL $M	2014 ACTUAL $M	2015 ACTUAL $M
Fiduciary assets			
Funds under management			
Common Fund	578	497	516
Managed Funds	406	371	379
Assets under management	2,790	2,971	2,666
Funds under supervision	42,133	46,058	53,145

Statement of Responsibility

as at 30 June 2015

The Board of Public Trust accepts responsibility for the preparation of the financial statements and Statement of Service Performance and for the judgements in them. The judgements applied in the preparation of the financial statements are reported in the Notes to the 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 Service Performance for the year ended 30 June 2015 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Sarah Roberts
Chair

Dinu Harry
Chair, Audit Committee

7th October 2015

Consolidated Statement of Financial Position

as at 30 June 2015

	NOTES	ACTUAL 2015 $000	UNAUDITED BUDGET 2015 $000	ACTUAL 2014 $000
Assets				
Cash and cash equivalents	5	10,000	36,000	25,671
Investment securities	6	492,585	371,946	438,363
Derivative financial instruments	7	68	403	81
Advances to clients		2,015	3,295	4,614
Trade receivables & work in progress	8	6,565	6,350	7,008
Advances secured by mortgage	9	45,692	57,624	70,421
Total financial assets		**556,924**	**475,618**	**546,158**
Sundry receivables		314	100	80
Prepayments		655	630	633
Current tax		415	242	243
Property, plant & equipment		3,948	5,705	5,967
Intangibles	11	13,732	9,478	4,925
Total assets		**575,988**	**491,773**	**558,006**
Liabilities				
Liabilities to clients - at call or short term		445,813	343,041	406,143
Liabilities to clients - term deposits		70,538	91,559	90,680
Prepaid estate administration		301	400	344
Total liabilities to clients		**516,652**	**435,000**	**497,167**
Trade payables		3,822	4,250	3,387
Other payables	14	1,805	2,025	1,817
Derivative financial instruments	7	5,559	6,170	7,338
Prepaid income		68	90	90
Employee benefits	15	3,911	3,850	4,262
Provisions	16	4,958	900	1,090
Total liabilities		**536,775**	**452,285**	**515,151**
Equity				
Contributed equity		90,174	90,174	90,174
Cash flow hedging reserve		(315)	(350)	(280)
Retained earnings		(50,646)	(50,336)	(47,039)
Total equity	17	**39,213**	**39,488**	**42,855**
Total liabilities plus equity		**575,988**	**491,773**	**558,006**

Sarah Roberts
Chair

Dinu Harry
Chair, Audit Committee

Consolidated Statement of Changes in Equity
for the year ended 30 June 2015

	NOTES	**ACTUAL 2015** $000	UNAUDITED **BUDGET 2015** $000	**ACTUAL 2014** $000
Equity at the start of the year		42,855	39,256	37,623
Comprehensive income				
Other comprehensive income				
– movement in cash flow hedging reserve		(767)	-	482
Profit (loss) after tax		(2,875)	232	4,750
Total comprehensive income		**(3,642)**	**232**	**5,232**
Equity at the end of the year	17	**39,213**	**39,488**	**42,855**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

	NOTES	ACTUAL 2015 $000	UNAUDITED BUDGET 2015 $000	ACTUAL 2014 $000
Revenue				
Revenue from financial instruments				
Interest from interest bearing securities		20,245	14,685	17,954
Interest from advances secured by mortgage		3,874	4,582	5,757
		24,119	19,267	23,711
Less: Interest expense		12,155	8,050	9,804
		11,964	11,217	13,907
Fees and commission revenue		41,208	43,913	43,458
Less: Fees and commission expense		2,699	2,463	2,517
Other revenue		80	360	1,705
Revenue from the Crown	27	2,627	2,627	3,278
Net Revenue		**53,180**	**55,654**	**59,831**
Expenses				
Employee benefits		35,074	34,544	34,360
Operating lease costs		3,545	2,756	4,292
Depreciation		2,822	2,415	1,994
Amortisation of intangibles	11	792	660	650
Net (gains) losses on disposals of property, plant & equipment and intangibles		(2)	150	331
Impairment on property, plant & equipment and intangibles		79	-	-
Impairment (recoveries) losses on advances secured by mortgage		(1,015)	305	(1,156)
Other expenses		14,591	14,592	14,677
Total expenses		**55,886**	**55,422**	**55,148**
Net (losses) gains on financial instruments		(169)	-	67
Profit (loss) before tax for the year		**(2,875)**	**232**	**4,750**
Tax expense	10	-	-	-
Profit (loss) after tax for the year		**(2,875)**	**232**	**4,750**
Other comprehensive income				
Items that may be reclassified to profit and loss:				
Movement in cash flow hedging reserve	17	(767)	-	482
Total comprehensive income for the year		**(3,642)**	**232**	**5,232**

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	NOTES	**ACTUAL 2015** $000	UNAUDITED **BUDGET 2015** $000	**ACTUAL 2014** $000
Cash flows from operating activities				
Fees and other revenue		44,928	47,029	47,975
Interest revenue		30,241	19,267	22,394
Taxation paid		(170)	-	(2)
Payments to suppliers and employees		(51,485)	(53,510)	(55,363)
Interest paid		(18,012)	(8,050)	(10,635)
Net GST		(460)	(1,000)	(752)
Net cash flows from operating activities	26	**5,042**	**3,736**	**3,617**
Cash flows from investing activities				
Net flows from non-trading investments		(31,489)	43,243	31,371
Sale of property, plant & equipment		2	-	8
Purchase of property, plant & equipment		(857)	(2,056)	(801)
Purchase of intangibles		(8,008)	(5,812)	(1,082)
Net cash flows from investing activities		**(40,352)**	**35,375**	**29,496**
Cash flows from financing activities				
Net (payments to) receipts from clients		19,639	(38,111)	(80,139)
Net cash flows from financing activities		**19,639**	**(38,111)**	**(80,139)**
Net (decrease) increase in cash and cash equivalents		(15,671)	1,000	(47,026)
Cash and cash equivalents at beginning of the year		25,671	35,000	72,697
Cash and cash equivalents at the end of the year	5	**10,000**	**36,000**	**25,671**

Notes to the Financial Statements

1 | GENERAL INFORMATION

Public Trust is a body corporate established 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. The Public Trust Group (the Group) comprises Public Trust (the Parent) and its subsidiaries.

Public Trust is a Crown Entity for the purposes of the Crown Entities Act 2004 and is domiciled in New Zealand. Public Trust's ultimate parent is the New Zealand Crown. Public Trust became a licensed supervisor on 10 April 2015 and is therefore deemed an FMC Reporting Entity for the purposes of the Financial Reporting Act 2013 effective 1 April 2014.

In accordance with changes in the Crown Entities Act 2004 section 156A, separate financial statements for the Parent are no longer required to be disclosed. The Group has applied this exemption for the financial statements for the year ended 30 June 2015 and the comparative period and has therefore disclosed only the Group results.

2 | BASIS OF PREPARATION

These financial statements are for the year ended 30 June 2015. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards.

Comparatives

The comparatives presented are for the year ended 30 June 2014.

Certain immaterial comparative figures within the notes to the financial statements have been re-classified to align with the current period presentation.

Measurement basis

The financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities which have been measured at fair value as outlined in Note 3.

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 2015 year.

Use of judgements and estimates

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 9 – Advances secured by mortgages

Note 11 – Intangibles

Note 13 – Prepaid estate administration

Note 16 – Provisions

Note 21 – Credit risk

Note 23 – Fair value

3 | ACCOUNTING POLICIES

New or amended financial reporting standards and interpretations adopted during the period

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014. The nature and the impact of each new standard and amendment are described below:

NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 12 Disclosure of Interests in Other Entities, NZ IAS 27 Separate Financial Statements – Amendments for Investment Entities:

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under NZ IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under NZ IFRS 10.

NZ IAS 32 Financial Instruments: Presentation – Amendments for Offsetting Financial Assets and Financial Liabilities:

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the accounting treatments of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Public Trust and its subsidiaries as at and for the year ended 30 June 2015.

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 consolidated financial statements from the date on which control commences until the date control ceases.

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

In preparing the consolidated financial statements, all intra-group balances and transactions, and unrealised income and expenses resulting from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Financial instruments

On initial recognition, financial instruments are classified into one of the following categories which then determine the accounting treatment of the instrument:

- financial assets at fair value through profit or loss;
- financial assets comprising loans and receivables;
- financial liabilities at fair value through profit or loss; and
- other financial liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and net balances reported in the Statement of Financial Position where there is a legally enforceable right to set off, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Recognition and derecognition

Purchases and disposals of financial instruments are accounted for on a trade date basis.

Financial assets are derecognised when the Group neither retains the risks and rewards of ownership nor controls the contractual rights to the cash flows arising from them. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Effective interest rate method

The effective interest rate method is used in accounting for certain financial instruments and the revenue derived from them. The effective interest rate is the rate, determined upon acquisition that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument.

Financial assets at fair value through profit or loss

A financial asset is designated at fair value through profit or loss if it is either:

- held for trading, having been acquired principally for the purpose of resale in the short term; or
- part of a group of financial instruments that are managed, including performance evaluation, on a fair value basis.

Financial instruments classified at fair value through profit or loss include:

- investments in interest bearing securities; and
- derivative financial instruments classified as held for trading.

Financial assets at fair value through profit or loss are initially recognised at their fair value. This comprises their trade date transaction price and excludes any transaction costs associated with the purchase which are expensed as incurred.

Unless otherwise stated, the fair value of these instruments is determined in accordance with the bid price quoted in the relevant active market or the most recent transaction price, where the bid price is not available.

For financial assets not trading in an active market, prices are obtained using a valuation technique. The valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs and may include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Derivative financial instruments

Derivative financial instruments are future-settled contracts whose value changes in accordance with changes in a specified underlying variable.

Derivative financial instruments entered into for risk management purposes are instruments that are used to hedge exposures to interest rate risk. Some of these hedged exposures qualify for hedge accounting.

Derivative financial instruments are recognised on the date on which a derivative contract is entered into and are subsequently measured to fair value.

Where derivative financial instruments form part of an effective hedge relationship, they are valued on the basis of the mid-price of the bid/offer spread for the relevant interest rates. Any related revaluation of a hedged item is similarly valued on the same basis.

Subsequent to initial recognition, gains and losses from remeasurement of derivative financial instruments to fair value are recognised in profit or loss, with the exception of gains and losses on derivative financial instruments which are designated and effective as hedge accounting instruments. Hedge accounting instruments are accounted for as set out below.

Derivative financial instruments designated as hedging instruments – cash flow hedges

Derivative financial instruments, whose purpose is to match the cash flows arising from interest rate changes on floating rate mortgages and liabilities to clients at call, are designated as cash flow hedges. To the extent that individual hedges are effective at inception and remain so, changes in the fair value of these instruments are recognised in other comprehensive income (the cash flow hedging reserve). Any ineffective portion is recognised in profit or loss.

When the hedging instrument expires or is sold, the hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, the cumulative gain or loss on the hedging instrument remaining in the cash flow hedging reserve is transferred to profit or loss when the forecast transaction occurs.

When the forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument recognised in the cash flow hedging reserve is transferred to profit or loss immediately.

Derivative financial instruments designated as hedging items – fair value hedges

Term deposit assets that are the hedged item in a fair value hedge accounting relationship are carried at amortised cost plus an adjustment to arrive at the fair value ascribed to the risk being hedged.

Derivative financial instruments, whose purpose is to match the changes in fair value of long-dated term deposit assets as interest rates change, are designated as fair value hedges. For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative 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 Statement of Financial Position and is also recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments for which market values are not quoted in an active market.

Financial assets in this category include:

- cash and cash equivalents;
- term deposits;
- advances to clients;
- trade receivables;
- work in progress; and
- advances secured by mortgage.

Loans and receivables are initially recognised at their fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are carried at their amortised cost, in accordance with the effective interest rate method, less impairment.

Cash and cash equivalents

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 three months or less. Cash and cash equivalents are recognised at their cash settlement value.

Investment securities

Term deposits within investment securities are classified as loans and receivables. The initial and subsequent recognition are as described above.

Advances to clients

Advances to clients include client overdrafts and advances to client beneficiaries. The initial and subsequent recognition are as described above.

Trade receivables

The receivable from the Crown represents sums due, but not yet received, for services.

Receivables of uncertain timing represent certain claims for estate administration services where payment is not due until an uncertain point in the future. The timing of the future cash flows has been based on life expectancy and discounted at a rate appropriate to the estimated point of collection.

All other trade receivables are short term in nature, do not carry any interest and are accordingly stated at their nominal value. The initial and subsequent recognition are as described above.

Work in progress

Work in progress represents time incurred in providing trustee and estate administration services to clients that is not yet invoiced. Work in progress is assessed for recoverability by taking into consideration the type of clients and the nature of the services provided.

Advances secured by mortgage

Advances secured by mortgage are initially recognised at fair value plus any transaction costs that are directly attributable to the issue of the advance. Initial fair value is measured as the cost of the advance including origination fees as this is considered to best represent an exit price at the acquisition date.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by amortising advances secured by mortgage including fees and costs to profit or loss over the expected term of the advance.

Impairment of loans and receivables (other than advances secured by mortgage)

Loans and receivables are regularly reviewed for impairment, both individually and collectively in groups of financial assets with similar risk profiles.

Advances secured by mortgage are regularly reviewed for impairment loss. The carrying amount of the advance is reduced through the use of an impairment allowance account and the amount of the loss is recognised in profit or loss.

An individual impairment allowance is provided when there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the advance. The impairment allowance is an estimation of the amount and timing of future cash flows.

When an advance is uncollectible, it is written off against the carrying amount. The related impairment allowance previously provided for is reversed in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss is comprised solely of those derivative financial instruments held for trading in a loss position which cannot be offset against a countervailing balance which forms part of a qualifying offset agreement.

Unless otherwise stated financial liabilities at fair value through profit or loss are valued applying the 'ask' value from the range of relevant interest rates.

Term deposit liabilities

Term deposits liabilities are carried at amortised cost.

Other financial liabilities

Other financial liabilities include:

- liabilities to clients (except for those term deposit liabilities that are the hedged item in a fair value hedge accounting relationship); and
- trade payables.

Other financial liabilities are initially recognised at their fair value plus any transaction costs directly attributable to their acquisition or issue.

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

Any interest expense arising on other financial liabilities is recognised in profit or loss in accordance with the associated effective interest rate.

Foreign currency transactions

Transactions in foreign currencies are translated to New Zealand dollars at the rate of exchange prevailing at the transaction date. At the 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

Intangible assets are recognised where they are clearly identifiable, and have probable future economic benefits that can be reliably measured.

Goodwill

Goodwill arising from the purchase of a business is recognised in the Statement of Financial Position. It is initially recognised at cost and subsequently carried at cost, less any accumulated impairment losses, subject to the concession to allow pre-existing goodwill to be carried at its carrying amount at the date of transition to NZ IFRS.

After initial recognition, goodwill is measured at the amount recognised at acquisition date less any accumulated impairment losses.

Intangible IT assets

Intangible IT assets comprise computer software that is not integral to the operating systems of computer and server equipment. These 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. Until the intangible IT assets are at this level of functionality, costs are accumulated as capital work in progress. Once the software is capable of functionality, the cost is amortised over its estimated useful life of three to five 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 non–financial assets other than goodwill

Non-financial 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 the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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). 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.

Any impairment losses are recognised in profit or loss.

Impairment of goodwill

Goodwill is subject to an annual recoverable amount 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 cash generating unit (CGU), being the lowest level of asset group for which there are separately identifiable cash inflows. Impairment testing is done using a discounted cash flows model. Further details on the methodology and assumptions used are outlined in Note 11.

Prepaid income

The Group receives certain management fees for services to be provided over more than one financial year. The prepaid portion is carried in the Statement of Financial Position at the value of the services yet to be performed measured in accordance with the underlying contract on a straight-line basis.

Prepaid estate administration

The Group has entered into contracts, where a fee is taken in advance, for services to be delivered upon the death of the contracting party. The liability to these contracting parties is valued at the net present value of the estimated cost necessary to complete the contract, determined in accordance with the probabilities associated with life expectancy.

Employee benefits

Annual leave

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.

Sick leave

The sick leave allowance is calculated by assuming each person on the relevant contract is entitled to a certain number of days sick leave in a year. An estimate is made of the likelihood of each person drawing upon an accumulated entitlement over and above the standard number of sick leave days in the forthcoming year. These surplus days are valued at the current rate of pay plus an increment to represent the pay rate at which the sick leave is likely to crystallise.

Long-service leave

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

Leases entered into by the Group where substantially all the risks and rewards of ownership do not transfer to the Group are operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the year(s) of the lease.

Lease incentives

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.

Tax

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 equity, in which case it is recognised in 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, together with any future income tax benefits arising from unutilised tax losses in the financial statements. Deferred income 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 or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences 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 & 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 Statement of Financial Position.

Fee revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Fees

Fees from services are recognised in profit or loss in accordance with the underlying service contract. Depending on the nature of the service, this is either based on time spent or following the performance of a specific act.

Revenue from the Crown

The Crown contracts with Public Trust to deliver certain estate administration services. Fees arising from the performance of these services are recognised on completion of the relevant services.

Presentation of cash flows

Cash flows from operating activities are cash flows from the principal revenue producing activities of the Group. Operating activities also include net proceeds from investment securities and derivative financial instruments acquired specifically for resale. For the purpose of the Statement of Cash Flows these are referred to as trading investments.

Cash flows from investment activities and receipts from clients are presented net. This is because the scale of gross cash flows would give a misleading view of the scale of business activities of the Group.

Commitments

Commitments for goods yet to be received are not recognised and are disclosed in the Statement of Commitments where material.

New financial reporting standards approved but not yet effective

The following new or amended standards and interpretations, which are applicable to the Group, are not yet effective for the year ended 30 June 2015, and have not been applied in preparing these financial statements:

NZ IFRS 9 Financial Instruments

In September 2014, the New Zealand Accounting Standards Board (NZASB) issued the final version of NZ IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of NZ IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. NZ IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of NZ IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The impact of the requirements of this standard on the Group is still to be determined.

NZ IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in NZ IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of NZ IFRS 9 (or INZ AS 39, as applicable).

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under NZ IFRS 15 revenue is 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. The principles in NZ IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard will supersede all current revenue recognition requirements under NZ IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of NZ IFRS 15 and plans to adopt the new standard on the required effective date.

4 | 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 (the Act) 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 and is effective until the date the Act is amended to remove any doubt that the guarantee in Section 52 of the Act applies to both capital and accrued interest or such date as the Government revokes the guarantee regarding the interest by notice in writing to Public Trust.

The probability of a call being made on either guarantee to ensure clients' deposits are repaid is considered extremely remote. In the event of this occurring Public Trust would be required to record a liability to the Crown for the amount so called.

5 | CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Cash at bank	3,075	9,431
Money market deposits at call	6,925	16,240
	10,000	**25,671**

6 | INVESTMENT SECURITIES

	2015 $000	2014 $000
Designated at fair value through profit or loss		
Interest bearing securities		
Local authorities	-	17,788
State owned enterprises	3,976	7,970
NZ Government mixed ownership	-	3,993
Mortgage backed securities	2,060	2,707
Corporates	79,117	61,016
	85,153	93,474
Loans and receivables		
Term deposits		
Banks	332,916	282,875
State owned enterprises	60,222	44,714
Corporates	14,294	17,300
	407,432	344,889
	492,585	**438,363**

The cumulative fair value adjustments on hedged items designated as fair value hedges as at 30 June 2015 are $1,002,587 included in term deposits.

7 | DERIVATIVE FINANCIAL INSTRUMENTS

	2015 $000	2014 $000
Assets		
Interest rate swaps		
Cash flow hedge accounted	68	81
	68	**81**
Liabilities		
Interest rate swaps		
Cash flow hedge accounted	4,480	7,338
Fair value hedge accounted	1,079	-
	5,559	**7,338**

8 | TRADE RECEIVABLES & WORK IN PROGRESS

	2015 $000	2014 $000
Accrued interest	48	62
Crown	-	626
Receivables of uncertain timing	2,522	2,689
Less: Collective impairment allowance	(354)	(858)
Fees receivable	1,653	1,236
Less: Collective impairment allowance	(248)	(104)
Work in progress	2,943	3,357
Other	1	-
	6,564	**7,008**
Collective impairment allowance - Receivables of uncertain timing		
Opening balance	(858)	(268)
Charge for year	504	(590)
	(354)	**(858)**
Collective impairment allowance - Fees receivable		
Opening balance	(104)	(68)
Charge for year	(144)	(36)
	(248)	**(104)**

For significant judgements, estimates and assumptions applied refer to Note 21 Credit risk.

9 | ADVANCES SECURED BY MORTGAGE

	2015 $000	2014 $000
Gross value	47,971	73,774
Less: Individual impairment allowance	(2,279)	(2,783)
Less: Collective impairment allowance	-	(570)
	45,692	**70,421**
Individual impairment allowance		
Opening balance	(2,783)	(3,744)
Charge for the period	(574)	(90)
Bad debts written off	48	215
Unused allowance reversed	1,030	836
Closing balance	**(2,279)**	**(2,783)**
Collective impairment allowance		
Opening balance	(570)	(1,043)
Unused allowance reversed	570	473
Closing balance	**-**	**(570)**

For significant judgements, estimates and assumptions applied refer to Note 19 Interest rate risk and Note 21 Credit risk.

10 | INCOME TAX

Reconciliation of tax expense and the accounting profit:

	2015 $000	2014 $000
Profit (loss) before tax	(2,875)	4,750
Income tax at 28%	(805)	1,330
Non-deductible expenses for tax purposes	25	7
Non-taxable income for tax purposes	-	(101)
Adjustments in respect of current income tax of previous years	(92)	32
Adjustments in respect of temporary differences	1,307	(575)
Utilisation of previously unrecognised tax losses	(435)	(693)
Tax expense	**-**	**-**

The Group has tax losses of $51,565,783 (2014:$53,596,890) that are available indefinitely for offsetting against future taxable profits of the Group.

Deferred tax assets have not been recognised in respect of these losses as the recent history of operating losses and the timing of future operating profits means there is insufficient certainty to justify carrying a deferred tax asset (2014: $nil). If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by $18,947,875 (2014: $18,224,207).

11 | INTANGIBLES

	2015 $000	2014 $000
Intangible IT assets		
Cost		
Opening balance	11,663	11,906
Additions	11	14
Transfers from Intangibles in development	603	421
Transfers from/(to) property plant & equipment	-	-
Disposals	0	(678)
Closing balance	12,277	11,663
Accumulated amortisation & impairment		
Opening balance	(10,311)	(10,324)
Amortisation for the year	(792)	(650)
Transfers		
Disposals	-	663
Closing balance	(11,103)	(10,311)
Net carrying value at 30 June	**1,174**	**1,352**
Intangibles in development		
Opening balance	1,068	-
Additions	8,985	1,068
Transfers from / (to) property plant & equipment	603	421
Transfers to Intangible IT assets	(603)	(421)
Closing balance	10,053	1,068
Goodwill arising on acquisition		
Opening and closing balance	2,505	2,505
Carrying value of intangibles	**13,732**	**4,925**

Goodwill has been allocated to the Corporate Trustee Services cash generating unit (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. Goodwill was tested for impairment during the year with key judgements and assumptions as follows:

- The recoverable amount of the CGU was $6,940,000 (2014: $7,865,000) calculated on the basis of value in use, using a discounted cash flows model. The resultant gross value was allocated to the various physical and intangible assets.
- Future cash flows were projected out five years, based on the approved. Business Plans for the years ending 30 June 2016 to 30 June 2020, with key assumptions being funds under supervision, business development initiatives, and operating costs.
- Fee revenue was assumed to remain consistent with the 2015 fee revenue adjusted for changes in funds under supervision over the projected period. Management determined budgeted contribution margin based on past performance and its expectations of market development.
- Growth assumptions taking into account the competitive nature of the market have been applied.
- A pre-tax discount rate of 17.0% (2014: 17.8%) 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.

12 | INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Public Trust by nature of its business has interests in a number of different entities.

Consolidated Subsidiaries

- Trading subsidiary – New Zealand Permanent Trustees Limited (NZPT) – licensed trustee.
- 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

- Managed funds – as part of its service offering to customers, Public Trust operates a number of group investment funds, established under the Public Trust Act 2001, to meet investment management needs of customers. At balance date they were 10 funds in operation (excluding the Funeral Trust Cash Fund) with unit holders' funds of $379m. Risk lies with the unit holders of the funds. Public Trust receives management and administration fees under the terms of the trust deeds as set out in Note 27 – Related parties.
- Special purpose vehicles – unconsolidated subsidiaries of NZPT and Public Trust. 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 NZPT and Public Trust does not have power to alter. Risk lies with the beneficial owner. NZPT and Public Trust receive a predetermined fixed fee directly from the beneficial owner for the fiduciary services provided.

13 | PREPAID ESTATE ADMINISTRATION

The Group has contracted to provide an estate administration service following the death of the contracting party.
The uncertainties inherent in this arrangement are: the timing of the death of the client, the value and complexity of the estate to be administered and the cost of service at that time. The Group has applied a life expectancy model to determine the likely dates of death.

The capital value of payments received from the contracting parties has been invested in the Common Fund and is included in liabilities to clients.

The inflation rate used in the estimation of the liability, in excess of the amount included in the Common Fund, is consistent with the annual CPI inflation rate. This was 1.63% as at 30 June 2015 (2014: 2.5%). The estimated future cash flows are discounted at the 10 year rate of the New Zealand Government Bond yield curve of 3.7% at 30 June 2015 (2014: 4.4%). The discounted liability is included in other payables.

14 | OTHER PAYABLES

	2015 $000	2014 $000
Employees and employee related	1,106	1,363
Other	699	454
	1,805	**1,817**

15 | EMPLOYEE BENEFITS

	2015 $000	2014 $000
Annual leave	1,570	1,434
Sick leave	30	29
Long-service leave	1,966	2,389
Performance incentive payments	345	410
	3,911	**4,262**

The calculation of long-service leave assumed a salary increase of 3.0% (2014: 3.0%). An additional 1% increase in salary would increase the provision by $142,000 (2014: $172,000).

16 | PROVISIONS

	2015 $000	2014 $000
Restructuring	2,927	370
Remedial work and litigation	1,180	720
Onerous leases	305	-
Make good	546	-
	4,958	**1,090**

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 one 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. No insurance reimbursements expected upon the final resolution of some of these matters have been recognised within sundry receivables (2014: $nil).

Onerous contracts

The provision for onerous leases arises from two non-cancellable contracts where the unavoidable costs of meeting the contract exceed the economic benefits to be received from them.

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.

17 | EQUITY

	2015 $000	2014 $000
Contributed Equity		
Opening and closing balance	**90,174**	**90,174**
Retained earnings		
Opening balance	(47,039)	(51,789)
Transfer from cash flow hedging reserve	(732)	-
Profit (loss) after tax	(2,875)	4,750
Closing balance	**(50,646)**	**(47,039)**
Cash flow hedging reserve		
Opening balance	(280)	(762)
Transfer to retained earnings	732	
Net (losses) gains from changes in fair value	(774)	229
Less: Tax effect of above movement	-	-
Transferred to profit or loss	7	253
Less: Tax effect of above movement	-	-
Movement in cash flow hedging reserve	(35)	482
Closing balance	**(315)**	**(280)**
Equity at the end of the year	**39, 213**	**42, 855**

Capital management

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

— protect the interests of depositors and creditors;

— protect the interests of the Crown;

— ensure the safety of the capital position; and

— ensure the capital base supports the strategic business objectives and the agreed risk appetite.

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 intangibles, deferred tax asset and cash flow hedging reserve.

The Group operates within a risk management framework designed to ensure that the overall risk position is consistent with the Group's minimum capital adequacy requirements.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative fair value of the interest rate swaps related to the on call client liabilities and floating rate mortgages, together with the related tax.

The transfer to profit or loss is included within interest from interest bearing securities.

The ineffective portion of cash flow hedges recognised in net gains (losses) on financial instruments within profit or loss is $37,084 gain (2014: $246,088 loss).

18 | MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows assets and liabilities analysed according to when they are expected to be recovered, settled or the maturity dates as applicable. For discussions on the management of liquidity of financial assets and financial liabilities, refer to Note 22 Liquidity risk.

	Statement of financial position 2015 $000	Less than 12 Months 2015 $000	Greater than 12 Months 2015 $000	Statement of financial position 2014 $000	Less than 12 Months 2014 $000	Greater than 12 Months 2014 $000
Assets						
Cash and cash equivalents	10,000	10,000	-	25,671	25,671	-
Investment securities	492,585	343,471	149,114	438,363	372,610	65,753
Derivative financial instruments	68	52	16	81	30	51
Advances to clients	2,015	1,513	502	4,614	3,872	742
Trade receivables	6,564	4,096	2,468	7,008	5,177	1,831
Advances secured by mortgage	45,692	5,015	40,677	70,421	13,349	57,072
Total financial assets	**556,692**	**364,147**	**192,777**	**546,158**	**420,709**	**125,449**
Sundry receivables	314	314	-	80	73	7
Prepayments	655	655	-	633	633	-
Current tax	415	415	-	243	243	-
Property, plant & equipment	3,948	-	3,948	5,967	-	5,967
Intangibles	13,732	-	13,732	4,925	-	4,925
Total assets	**575,988**	**365,531**	**210,457**	**558,006**	**421,658**	**136,348**
Liabilities						
Liabilities to clients - at call or short term	445,813	445,813	-	406,143	406,143	-
Liabilities to clients - term deposits	70,538	62,758	7,780	90,680	79,363	11,317
Prepaid estate administration	301	-	301	344	-	344
Total liabilities to clients	**516,652**	**508,571**	**8,081**	**497,167**	**485,506**	**11,661**
Trade payables	3,822	3,822	-	3,387	3,387	-
Other payables	1,805	1,723	82	1,817	1,730	86
Derivative financial instruments	5,559	4,215	1,344	7,338	5,711	1,628
Prepaid income	68	68	-	90	90	-
Employee benefits	3,911	2,253	1,658	4,262	2,180	2,082
Provisions	4,958	4,437	521	1,090	1,090	-
Total liabilities	**536,775**	**525,089**	**11,686**	**515,151**	**499,694**	**15,457**

19 | INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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 done by investing in assets with similar interest rate resetting terms to those of the financial liabilities. Where no natural match can be established, interest rate swaps and forward rate agreements may be entered into to create a hedge.

The Group's policy requires the mismatch between the weighted average interest rate reset term of liabilities and assets to be less than six months. Exposures to interest rate risk are monitored by management on a daily basis and reported to the Investment Committee quarterly.

Cash flow hedging

Changes in the 90-day bank bill rate will, all other things being equal, lead to changes in interest rates for on-call liabilities to clients' rates as well as floating rate mortgage interest rates. Changes in the base interest rate will therefore lead to a change in the associated interest expense and associated interest income cash flows.

Interest rate swaps have been entered into to mitigate this risk and these interest rate swaps are treated as cash flow hedges for accounting purposes.

The periods in which the cash flows are expected to occur and in which they are expected to affect profit or loss is shown in Note 22 Liquidity risk.

Financial risk assessment

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. 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.

	2015 $000	**2014** $000
1 year Value-at-Risk at 95% confidence level	166	214

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. The 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 (MBS). It reflects potential VaR arising from interest rate and credit spread movements.

The fair value of the Group's investments in interest bearing securities is a function of underlying risk free interest rates plus a credit margin. A possible change in the underlying interest rates is 200 basis points. The following table presents the effect on profit or loss and therefore equity if there was an increase in underlying interest rates of 200 basis points.

	2015 $000	**2014** $000
200 point increase in interest rates	(205)	(237)

20 | CURRENCY RISK

Currency risk is the risk that the value of a financial instrument denominated in a foreign currency will fluctuate due to changes in foreign exchange rates.

Public Trust's investment policy does not permit investment in foreign currency denominated securities.

Some supplier contracts, generally in relation to software licence agreements, are denominated in foreign currencies. These contracts are generally for non-material amounts and consequently no attempt is made to hedge the foreign currency risk.

21 | CREDIT RISK

Credit risk is the risk that a counter party to a financial asset will fail to meet its obligation to pay. The carrying amounts of financial assets of $556.9 million (2014: $546.2 million) represents the maximum credit exposure.

The following table shows information about the credit quality of loans and receivables.

	Advances to clients	Trade receivables and work in progress	Advances secured by mortgage	Advances to clients	Trade receivables and work in progress	Advances secured by mortgage
	2015 $000	**2015** $000	**2015** $000	**2014** $000	**2014** $000	**2014** $000
Work in progress	-	2,942	-	-	3,357	-
Neither past due nor impaired	2,015	2,872	39,607	4,614	2,698	64,365
Past due but not impaired	-	750	889	-	953	1,348
Impaired	1,485	602	7,475	-	962	8,061
Gross	3,500	7,166	47,971	4,614	7,970	73,774
Less: Allowance for impairment	(1,485)	(602)	(2,279)	-	(962)	(3,353)
Net	**2,015**	**6,564**	**45,692**	**4,614**	**7,008**	**70,421**

Advances to clients

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for its clients. Advances are provided for specific purposes and when it is not possible to obtain funds from the assets held in the client's trust.

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 of the debtor clients and generally has first call over the funds of that debtor. There has been no renegotiation of amounts that would be past due or impaired in 2015 (2014: nil).

Client overdrafts

Client overdrafts are subject to formal approval and are reviewed on a regular basis. Further approval from delegated authority is required if the overdraft facility is to be extended.

Advances to client beneficiaries

Advances to client beneficiaries are repayable on demand and secured by statutory charge supplemented by an assignment of their interest in the relevant estate.

Advances to client estates are secured by statutory charge which may, where estate assets are not vested in the Group, be supplemented by registered charge.

To mitigate the risk:

— restrictions exist on when advances can be made;

— advances are limited to two thirds the value of the beneficiary's share in the estate;

— the Group administers the estate of these clients and has title or security to their assets; and

— approval and review of the advance or overdraft requires delegated authority.

Trade receivables and Work in progress

Trade receivables mainly comprise amounts owed by the Crown, personal clients, estates and corporate trustee clients. There are certain corporate trustee clients where the Group holds security. The credit quality of receivables that are neither past due nor impaired is considered high as Public Trust is trustee or administrator of the debtor client and generally has first call over the funds of that debtor.

The following table provides an analysis of trade receivables that are past due but not impaired.

	2015 $000	2014 $000
Past due 1-30 days	140	161
Past due 31-60 days	186	114
Past due 61-90 days	58	75
Past due more than 90 days	366	603
Total	**750**	**953**

Work in progress represents the time incurred in providing trustee and estate administration services that has not yet been invoiced to the clients. There are certain trusts and estates clients where the Group holds security. The credit quality of work in progress relating to these clients is considered high as Public Trust through its fiduciary relationship generally has first call over the clients' assets. However, as is common with time charging services, a certain amount of time incurred is deemed irrecoverable due to the nature of the services provided and the time taken to invoice the clients. Work in progress is reviewed periodically by management to ascertain its recoverability. Time incurred but deemed to be irrecoverable is discounted and recognised in profit or loss with a corresponding reduction in the carrying value of the work in progress.

The following table provides an analysis of work in progress:

	2015 $000	2014 $000
Work in Progress	3,394	4,099
Provision for discounting	(452)	(742)
Work in Progress after discounting	**2,942**	**3,357**

Receivables of uncertain timing

Receivables of uncertain timing represent certain claims for estate administration services where payment is not due until an uncertain point in the future. Where the receivable originates from an estate with a life tenant, payment will be received upon the death of that life tenant. The Group administers the estates to which these receivables relate and has title to the assets of these estates. The credit quality of these receivables is rated as high. All payments are received when assets in the estate are sold. The carrying value of the receivables is minor relative to the value of the estates.

The future cash flows have been discounted using the prevailing New Zealand Government Bond yield rates at the reporting date. 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.

Advances secured by mortgage

The Group has policies and procedures to manage the credit risk of advances secured by mortgage. The primary objective is to continue to de-risk and to run off the current portfolio. New lending has now been ceased.

The lending portfolio is subject to ongoing monitoring in relation to composition and compliance with a policy of arrears reporting and management. Portfolio reporting is regularly reviewed by management with oversight from the Investment Committee. The administration of advances is tightly managed to ensure arrears and defaults are identified as they occur, and appropriate follow up actions are implemented.

Impairment allowances are raised to ensure that the mortgage loan portfolio is reflected in the Statement of Financial Position at the recoverable amount.

An advance secured by mortgage is considered impaired and an impairment allowance raised if, and only if, there is objective evidence of impairment as a result of one or more loss event that occurred subsequent to the initial recognition of the advance and prior to the reporting date, and the loss event has an impact on the estimated future cash flows of the individual loan and can be reliably estimated. Loss events that give rise to impairment include bankruptcy of the borrower, loan default or delinquency, and other such incidents that give rise to doubt about the collectability of the full amount of the advance.

Advances secured by mortgage are reviewed weekly for impairment. An individual impairment allowance is raised for each advance secured by mortgage that is considered impaired to the value of the amount of expected loss arising from the impairment.

In addition a collective impairment allowance is raised for impairment losses inherent in the loan portfolio. Exposures are grouped in pools of similar advances with similar risk characteristics. The collective impairment allowance is estimated on the basis of historical loss experience for advances with risk characteristics similar to those in the pool, adjusted for current observable data and economic conditions. Subjective judgements are made in this process including the credit risk assessment and categorisation of individual advances, appropriateness of loss history and the impact of economic conditions on the relevant pool.

The credit quality of advances secured by mortgage is assessed using an internal risk grading ranging from A to C; A being nil to low risk and C being an elevated risk on the watch list.

	2015 $000	**2014** $000
A	32,494	48,833
B	5,831	8,646
C	5,194	8,234
	43,519	**65,713**

The carrying amount of advances secured by mortgage that would otherwise be past due or impaired whose terms have been renegotiated is nil (2014: nil).

The following table provides an analysis of advances secured by mortgage that are individually impaired. The gross values exclude accrued interest and other fees and costs relating to the advances secured by mortgage.

	Gross value **2015** $000	Impairment **2015** $000	Net value **2015** $000	Gross value **2014** $000	Impairment **2014** $000	Net value **2014** $000
Residential & Residential Investment	3,126	(1,406)	1,720	4,472	(2,333)	2,139
Commercial & Development	4,349	(873)	3,476	3,589	(450)	3,139
	7,475	**(2,279)**	**5,196**	**8,061**	**(2,783)**	**5,278**

The following table provides an analysis of advances secured by mortgage where a collective impairment allowance has been provided.

	Gross value **2015** $000	Impairment **2015** $000	Net value **2015** $000	Gross value **2014** $000	Impairment **2014** $000	Net value **2014** $000
Residential & Residential Investment	38,688	-	38,688	58,505	(78)	58,427
Commercial & Development	857	-	857	6,184	(492)	5,692
Other	951	-	951	1,024	-	1,024
	40,496	**-**	**40,496**	**65,713**	**(570)**	**65,143**

Investment securities and derivatives

The credit risk of investment securities is controlled by a series of policy limits, including minimum credit ratings and total exposure limits to individual ratings categories, industries and types of securities.

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.

Interest rate derivative counterparty credit risk is managed by:

- undertaking derivative transactions only with banks with a minimum long term credit rating of AA- (Standard & Poors or equivalent);
- including the market value of derivative exposure in the calculations of the credit exposure to that particular bank, which in turn is governed by credit limits; and
- acquiring derivatives with several different banks, thereby diversifying the counterparty exposure.

In any event, the valuation of interest rate swaps will consider where necessary any impairment due to risk of counterparty default.

Credit ratings

The following table shows an analysis of credit exposure of financial assets using credit ratings reflected in the valuation of the securities (where applicable).

	2015 $000	2014 $000
Long-term credit rating		
AAA	2,060	2,707
AA	-	9,756
AA-	102,119	42,003
AA+	24,227	5,404
A	14,978	-
A-	6,058	6,052
	149,442	**65,922**
Short-term credit rating		
A1+	299,183	332,514
A1	54,027	55,234
A2	-	10,444
	353,210	398,192
Unrated - other financial assets	54,272	82,044
Total financial assets	**556,924**	**546,158**

Offsetting financial assets and financial liabilities

The only entity within the Group to enter into offsetting agreements is the Parent who has entered into offsetting agreements with various NZ registered bank counterparties in relation to its transactional bank accounts and derivative transactions.

Cash and cash equivalents

The Parent's transactional bank accounts are subject to an offset agreement that allows accounts with credit and debit balances to be offset for the purposes of clearing transactions and determining net interest on outstanding balances.

Individual accounts are subject to maximum overdraft limits within a maximum daily withdrawal limit of $45.0 million.

Derivatives

All derivative transactions entered into by the Parent are covered by the provisions of an ISDA Master Netting Agreement. A separate agreement is held with each counterparty although the agreements have common terms and conditions:

— Derivative transactions in the same currency and maturing on the same day with the same counterparty are intended to settle net.

— A defined default or termination event by either the Parent or by the counterparty gives the other party the right to demand the simultaneous net settlement of all outstanding derivative contracts between those parties.

— Frustrations to ordinary course of business settlements caused by circumstances such as natural or man-made disasters, clearance system failure, armed conflict or terrorism do not constitute default events and do not give rise to simultaneous net settlement rights.

— The agreements cover derivative transactions only. However, if a simultaneous net settlement right is triggered, the party with the net payment obligation has the right to draw any other non-derivative assets it holds with the other party into the Agreement and offset those against the net settlement obligation.

Investment securities

Under the provisions of the ISDA Master Netting Agreements, the investment securities held with each counterparty are available to offset any required simultaneous settlement obligation.

In the event of a default or termination event the Parent has sufficient cash and cash equivalents and investment securities assets with each counterparty to cover its net derivative positions.

Gross and net exposures together with the offsetting amounts available for each counterparty are disclosed in the following tables.

The disclosures set out in the tables include financial assets and financial liabilities that:

— are offset in the Group's financial statements; and

— are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Statement of Financial Position.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

2015	Gross amounts of recognised financial assets not subject to offset arrangements $000	Gross amounts of recognised financial assets subject to offset arrangements $000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $000	Net amounts of financial assets presented in the statement of financial position $000
Cash and cash equivalents	7,274	9,955	(7,229)	10,000
Investment securities	246,620	245,965	-	492,585
Derivative assets	-	68	-	68
Total financial assets	**253,894**	**255,988**	**(7,229)**	**502,653**

		Amounts included in gross financial assets subject to offset that are not set-off in the statement of financial position		
2015	Net amounts of financial assets presented in the statement of financial position $000	Financial instruments $000	Cash collateral pledged $000	Net amount $000
Counterparty A	29,208	(711)	-	28,497
Counterparty B	108,395	(3,341)	-	105,054
Counterparty C	6,009	(1,318)	-	4,691
Counterparty D	105,492	(189)	-	105,303
Counterparties without offset arrangements	253,549	-	-	253,549
Total	**502,653**	**(5,559)**	**-**	**497,094**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

2015	Gross amounts of recognised financial liabilities not subject to offset arrangements $000	Gross amounts of recognised financial liabilities subject to offset arrangements $000	Gross amounts of recognised financial assets set off in the statement of financial position $000	Net amounts of financial liabilities presented in the statement of financial position $000
Cash and cash equivalents	-	7,229	(7,229)	-
Derivative liabilities	-	5,559	-	5,559
Total financial liabilities subject to offset	**-**	**12,788**	**(7,229)**	**5,559**

		Amounts included in gross financial liabilities subject to offset that are not set-off in the statement of financial position		
2015	Net amounts of financial liabilities presented in the statement of financial position $000	Financial instruments $000	Cash collateral received $000	Net amount $000
Counterparty A	711	(711)	-	-
Counterparty B	3,341	(3,341)	-	-
Counterparty C	1,318	(1,318)	-	-
Counterparty D	189	(189)	-	-
Counterparties without offset arrangements	-	-	-	-
Total	**5,559**	**(5,559)**	**-**	**-**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

2014	Gross amounts of recognised financial assets not subject to offset arrangements $000	Gross amounts of recognised financial assets subject to offset arrangements $000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $000	Net amounts of financial assets presented in the statement of financial position $000
Cash and cash equivalents	16,510	13,376	(4,215)	25,671
Investment securities	155,488	282,875	-	438,363
Derivative assets	-	84	(3)	81
Total financial assets subject to offset	**171,998**	**296,335**	**(4,218)**	**464,115**

		Amounts included in gross financial assets subject to offset that are not set-off in the statement of financial position		
2014	Net amounts of financial assets presented in the statement of financial position $000	Financial instruments $000	Cash collateral pledged $000	Net amount $000
Counterparty A	86,660	(2,351)	-	84,309
Counterparty B	87,293	(1,328)	-	85,965
Counterparty C	37,804	(2,246)	-	35,558
Counterparty D	80,623	(1,413)	-	79,210
Counterparties without offset arrangements	171,735	-	-	171,735
Total	**464,115**	**(7,338)**	**-**	**456,777**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

2014	Gross amounts of recognised financial liabilities not subject to offset arrangements $000	Gross amounts of recognised financial liabilities subject to offset arrangements $000	Gross amounts of recognised financial assets set off in the statement of financial position $000	Net amounts of financial liabilities presented in the statement of financial position $000
Cash and cash equivalents	-	4,215	(4,215)	-
Derivative liabilities	-	7,341	(3)	7,338
Total financial liabilities subject to offset	**-**	**11,556**	**(4,218)**	**7,338**

		Amounts included in gross financial liabilities subject to offset that are not set-off in the statement of financial position		
2014	Net amounts of financial liabilities presented in the statement of financial position $000	Financial instruments $000	Cash collateral received $000	Net amount $000
Counterparty A	2,351	(2,351)	-	-
Counterparty B	1,328	(1,328)	-	-
Counterparty C	2,246	(2,246)	-	-
Counterparty D	1,413	(1,413)	-	-
Counterparties without offset arrangements	-	-	-	-
Total	**7,338**	**(7,338)**	**-**	**-**

Further information on offset tables

Amounts included in gross financial assets/liabilities subject to offset that are not set-off in the Statement of Financial Position

These are amounts available to offset against the respective asset or liability that are not offset in the Statement of Financial Position because they do not meet the conditions required for offset at the reporting date. Either, the assets and liabilities subject to primary offset have differing maturity dates and are therefore not intended to settle net, or the conditions that would trigger a simultaneous net settlement do not currently exist.

Net amounts for each counterparty

For financial assets the net amount represents any residual assets available after all possible offset obligations have been satisfied.

For financial liabilities the net amount represents any residual obligations after all available assets subject to offset arrangement have been applied.

Measurement differences

A mismatch in the measurement base exists between derivative liabilities (measured at fair value) and the non-derivative assets available to offset.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the Statement of Financial Position on the following bases:

— cash and cash equivalents – cash settlement value;

— derivative assets and liabilities – fair value; and

— investment securities – fair value and amortised cost.

22 | 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 beneficiaries. 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 deposits. Since Public Trust is the decision maker of these deposits, the risk of a sudden substantial withdrawal of deposits is deemed remote. Historically, the withdrawal of deposits arising from trusts and estates being wound up is largely offset by new deposits arising from the administration of new trusts and estates.

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 all financial liabilities (that are settled on a net cash flows basis). Groupings are based on the period remaining at the balance sheet date to the contractual maturity date.

The profiles have been stated exclusive of the unilateral right of repayment of assets held by certain issuers and mortgagors.

Non-derivative financial assets include:

— advances to clients repayable on demand a portion of which collection is expected to be received after one year; and

— trade receivables of uncertain timing. Where collection is expected beyond 12 months, it is assumed they will be collected more than five years from the reporting date.

The undiscounted cash flows of interest rate swaps and forward rate agreements are the net cash flows of the fixed rate and the interpolated floating rate, whereas the carrying value is the net present value of the fixed rate cash flows at the current market rate.

Liabilities to clients at call are all classified as to be repaid within one year. There is the possibility that existing deposits may still be held after more than one year. Further, it is expected that client liabilities which are settled will be replaced by new deposits.

2015	Statement of financial position $000	Contractual cash flows $000	1 Year or less $000	1 to 2 Years $000	2 to 3 Years $000	3 to 5 Years $000	Over 5 Years $000
Liabilities to clients – at call or short term	445,813	445,813	445,813	-	-	-	-
Liabilities to clients – term deposits	70,538	71,647	63,550	5,668	1,678	751	-
Prepaid estate administration	301	301	301	-	-	-	-
Trade payables	3,822	3,822	3,822	-	-	-	-
Other payables	1,805	1,805	1,805	-	-	-	-
Prepaid income	68	68	68	-	-	-	-
Total non-derivative financial liabilities	522,347	523,456	515,359	5,668	1,678	751	-
Interest rate swaps							
Cash flow hedge accounted	4,480	508	(343)	851	-	-	-
Fair value hedge accounted	1,079	1,815	1,141	591	83	-	-
Total derivative financial liabilities	5,559	2,323	798	1,442	83	-	-
Total financial liabilities	**527,906**	**525,779**	**516,157**	**7,110**	**1,761**	**751**	**-**

	Statement of financial position	Contractual cash flows	1 Year or less	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years
2014	$000	$000	$000	$000	$000	$000	$000
Liabilities to clients - at call or short term	406,143	406,143	406,143	-	-	-	-
Liabilities to clients - term deposits	90,680	92,037	80,231	7,808	3,359	639	-
Prepaid estate administration	344	344	344	-	-	-	-
Trade payables	3,387	3,387	3,387	-	-	-	-
Other payables	1,817	1,817	1,817	-	-	-	-
Prepaid payables	90	90	90	-	-	-	-
Total non-derivative financial liabilities	502,461	503,818	492,012	7,808	3,359	639	-
Interest rate swaps							
Cash flow hedge accounted	7,338	8,008	3,761	2,340	1,907	-	-
Fair value hedge accounted	-	-	-	-	-	-	-
Total derivative financial liabilities	7,338	8,008	3,761	2,340	1,907	-	-
Total financial liabilities	**509,799**	**511,826**	**495,773**	**10,148**	**5,266**	**639**	**-**

23 | FAIR VALUE

Bases to fair value

Cash and cash equivalents, Advances to clients, Trade receivables, Trade payables

All these financial instruments are at call or are able to be settled in the short term. Accordingly, they are carried at cash settlement value. Due to the short-term nature of the instruments, the fair value is assumed to equate to the carrying value.

Investment securities

The fair value of investment securities is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy is as follows:

Level 1 - Fair value is calculated using quoted prices in active markets for identical instruments. Quoted prices in an active market are actual, and regularly occurring, market transactions for identical instruments and the prices of those transactions are readily and regularly available.

Level 2 - Financial instruments under this hierarchy are fair valued using inputs other than quoted prices in active markets, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Valuations are based on observable or quoted market data such as quoted market prices for a similar instrument, or quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This data is then adjusted to reflect the risk margin of the specific instrument.

Level 3 - Financial instruments under this hierarchy are fair valued using valuation techniques. Inputs are not based on observable market data and these inputs may have a significant impact on the determination of the valuation of individual securities.

Where applicable the judgement involved in the valuation of certain Level 3 securities will take into account a number of factors as discussed below. Assumptions for individual securities will differ based on their individual characteristics.

Advances secured by mortgage

Advances secured by mortgage are valued on the following basis (excluding mortgages subject to impairment):

- For those advances where the variable rate is able to be adjusted to take account of changed credit risk within the mortgage portfolio (mainly residential mortgages), the projected future cash flows are discounted at the current variable rate. These advances will, therefore, have a fair value equating to their nominal value except to the extent that the individual advances are subject to an unexpired fixed interest rate term.
- For those advances where the variable rate is not able to be adjusted to take account of changed credit risk, the projected future cash flows, reflecting the terms of the individual contracts, are discounted at the current quoted variable rate which reflects adjusted perception of credit risk. To the extent that the current rate reflects a credit margin greater than that which can be contractually imposed, a difference will arise between nominal value and fair value.
- Additional factors have been taken into account, including an increment to reflect transaction cost avoidance and decrements to reflect potential volatility and liquidity.

Liabilities to clients – call or short term

The fair value of liabilities to clients at call is equivalent to the carrying value. Due to the short-term nature of the instruments, the fair value is assumed to equate to the carrying value.

Liabilities to clients – term deposits subject to fair value hedges

The fair value of term deposits is determined in accordance with a two-stage process:

- Deposits are aggregated into convenient groupings by month.
- The cash flows of each group are determined and then discounted at the relevant benchmark interest rate prevailing at balance date.

Derivatives

The fair value of derivatives is based on quoted market interest rates and the associated discounted cash flows.

Recurring fair value measurement – Level 1 and Level 2	**2015** $000	**2014** $000
Level 1		
Assets at fair value		
Interest bearing securities		
Banks	-	-
Total for level 1 assets	**-**	**-**
Level 2		
Assets at fair value		
Interest bearing securities		
Local authorities	-	17,788
Banks	-	-
State owned enterprises	3,976	52,684
NZ Government mixed ownership	-	3,993
Corporates	79,117	16,302
Derivative financial instruments		
Interest rate swaps		
Cash flow hedge accounted	68	81
Total for level 2 assets	**83,161**	**90,848**
Liabilities at fair value		
Derivative financial instruments		
Interest rate swaps		
Cash flow hedge accounted	4,480	7,338
Fair value hedge accounted	1,079	-
Total for level 2 liabilities	**5,559**	**7,338**

Recurring fair value measurement – Level 3

	2015 $000	2014 $000
Level 3		
Assets at fair value		
Interest bearing securities		
Mortgage backed securities	2,060	2,707
Total for level 3 assets	**2,060**	**2,707**
Level 3 reconciliation		
Opening balance	2,707	33,924
Total gains (losses) recognised in profit or loss	23	(73)
Movement in amortisation	-	(712)
Movement in accrued interest	(3)	(205)
Purchases	-	-
Sales	(667)	(12,822)
Maturities	-	(17,405)
Closing balance	**2,060**	**2,707**
Total gains (losses) recognised in profit or loss relating to assets and liabilities held at end of year.	23	(34)

Fair values disclosed	Carrying value **2015** $000	Fair value **2015** $000	Carrying value **2014** $000	Fair Value **2014** $000
Level 3				
Advances secured by mortgage	**45,692**	**45,688**	**70,421**	**73,521**

The following table provides an analysis on the decrease in the carrying value and corresponding unrealised gains (losses) on Level 3 securities if one of the key inputs (with all other variables remaining constant) changed to a reasonably possible alternative:

	2015 $000	**2014** $000
100 point increase in credit margin	1,255	137
90 days increase in weighted average life (Mortgage Backed Securities)	2	19

24 | OTHER PRICE RISK

Other price risk is the risk that changes in market prices (other than due to interest rate changes) affect fair values, irrespective of whether those changes are specific to an issuer of an instrument or of a more general nature. The Group was exposed to two different types of other price risk.

The Group has invested in interest bearing instruments where the value varies depending upon the assessment the market has of the credit risk of the issuer. This assessment is measured as an interest differential above the risk-free rate (the credit spread).

Credit spreads

The Group holds investments in interest bearing securities. The value of these instruments is a function of underlying risk free interest rates plus a credit margin. A possible change in credit margins is approximately 100 basis points. The following table presents by classes of investment securities, the effect on profit or loss and, therefore, equity if there was a change in the credit margin of 100 basis points.

	2015 $000	2014 $000
Local authorities	-	23
Banks	686	-
State owned enterprises	7	8
NZ Government mixed ownership	-	2
Mortgage backed securities	93	28
Corporates	469	509
	1,255	**570**

Capital repayment pattern

The Group holds mortgage backed securities in which capital repayments (both scheduled and unscheduled) of the underlying mortgages may be passed through to the Group as holder of the securities. A factor in the valuation of such instruments is the expected pattern of these capital repayments. If the weighted average term of these repayments shortens there is an increase in valuation and if the term lengthens there is a reduction in valuation. For every 90 days that the actual repayment pattern differs from the anticipated pattern there will be a change in value of $2,366 (2014: $19,496).

All of the above values are stated on a pre-tax basis as there is no taxation payable in the current year. It is considered that the same basis apply for the comparative year to enable a proper comparison to be made.

25 | REVENUES ARISING AND EXPENSES INCURRED IN ARRIVING AT PROFIT OR LOSS

In addition to the items reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, profit or loss is stated after charging or crediting the following:

	2015 $000	2014 $000
Fees and other revenue		
Fees from trust and other fiduciary activities	40,231	43,070
Fees from other services	3,588	4,263
Other revenue	96	1,088
Insurance recovery – Canterbury earthquakes	-	20
Financial assets and financial liabilities not at fair value through profit or loss		
Interest revenue	20,961	19,413
Interest expense	(12,155)	(9,804)
Fee revenue	(69)	114
Net gains (losses)		
Financial assets/liabilities fair value through profit and loss		
Designated on initial recognition	112	(233)
Held for trading	-	44

For financial instruments, only the net gains or losses on disposals are included in the Statement of Comprehensive Income.

Other expenses include the balances in the table below.

	2015 $000	2014 $000
Audit fees	320	286
Audit fees for non-consolidated managed funds	113	141
Other fees paid to auditors	45	40
Donations	-	1
Contribution to defined contribution plans	874	854
Fees on trust and other fiduciary activities	3,068	2,896

Other fees paid to auditors relates to non-consolidated managed funds' agreed upon procedures.

Employee remuneration

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

	Number of employees 2015	Number of employees 2014
$100,000 to $109,999	13	18
$110,000 to $119,999	19	22
$120,000 to $129,999	12	6
$130,000 to $139,999	6	6
$140,000 to $149,999	1	6
$150,000 to $159,999	7	2
$160,000 to $169,999	3	5
$170,000 to $179,999	1	3
$180,000 to $189,999	3	2
$190,000 to $199,999	4	-
$200,000 to $209,999	-	3
$220,999 to $229,999	1	-
$230,000 to $239,999	1	-
$240,000 to $249,999	-	2
$250,000 to $259,999	-	1
$260,000 to $269,999	1	-
$280,000 to $289,999	1	-
$290,000 to $299,999	1	-
$300,000 to $399,999	1	-
$460,000 to $469,999	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.

Key management personnel

Key management personnel comprises members of the Board, the Chief Executive, permanent, seconded or contracted members of the Executive.

	2015 $000	2014 $000
Key management personnel compensation comprises:		
Short-term employee benefits	2,002	1,915
Short-term contractor benefits	656	692
Post-employment benefits	69	29
Termination benefits	-	195
	2,727	**2,831**

Employment cessation payments

During the year, 70 employees received or will receive collectively $3,893,894 (2014: 35 employees received a total of $1,617,000) relating to the cessation of their employment with Public Trust.

Board member remuneration

	Board **2015** $000	Sub-committee **2015** $000	Board **2014** $000	Sub-committee **2014** $000
Remuneration paid or payable to Board members:				
Sarah Roberts	56	-	56	-
Fiona Oliver	35	6	35	5
Dinu Harry	28	5	28	5
Sue McCormack	28	5	28	5
Diana Puketapu (appointed November 2013)	28	2	19	1
David Tapsell (appointed November 2013)	28	4	19	1
Lyn Lim (appointed 23 July 2014)	27	-	-	-
Mivhelle van Gaalen (appointed 23 July 2014 - resigned 31 August 2014)	3	-	-	-
Rodger Finlay (retired June 2014)	-	-	28	5
	233	**22**	**213**	**22**

Insurance and indemnities

Public Trust effects Board member 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.

26 | RECONCILIATION OF PROFIT (LOSS) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 $000	2014 $000
Profit (loss) after tax	**(2,875)**	**4,750**
Items relating to property, plant & equipment		
Depreciation	2,822	1,994
(Gains) losses on disposal of property, plant & equipment	(2)	317
Items relating to intangibles		
(Gains) losses on disposal of intangibles	-	14
Amortisation	792	650
Impairment of intangibles	79	-
Items relating to non-trading financial assets and financial liabilities		
Realised (gains) losses on disposal	323	255
Unrealised (gains) losses	(154)	(2,050)
Amortisation of premiums and discounts	195	(918)
Movement in accrued interest	50	572
Movement in impairment allowances	(1,074)	(1,434)
Write off of advances secured by mortgage	1,078	215
Other items		
Decrease (increase) in trading derivative assets	-	4
Decrease (increase) in trade receivables	1,980	42
(Increase) decrease in sundry receivables and WIP	(132)	(8)
(Increase) decrease in prepayments	(10)	10
(Increase) decrease in current tax	(172)	(2)
Increase (Decrease) in trade payables	(670)	392
(Decrease) increase in other payables	(173)	(732)
(Decrease) increase in trading derivative liabilities	-	(343)
(Decrease) increase in prepaid income	(22)	(42)
(Decrease) increase in employee benefits	(352)	(67)
Increase (decrease) in provisions	3,359	(2)
Net cash flows from operating activities	**5,042**	**3,617**

27 | RELATED PARTIES

Crown related parties

All significant transactions with Crown related entities are disclosed below.

Revenue

Revenue from the Crown mainly arises from an output agreement between the 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.

	2015 $000	**2014** $000
Revenue from Crown	2,627	3,278
Crown Receivable	-	626
Crown Payable	-	-

Taxes and levies

In conducting its business activities, the Public Trust is required to pay various taxes and levies to the IRD, ACC and other organisations related to the Crown (such as GST, FBT, PAYE and ACC). The payment of these taxes and levies is based on standard terms and conditions that apply to all tax and levy payers.

Significant investment transactions with Crown

Significant investment transactions with Crown related entities are summarised below.

	Net interest revenue	Purchases	Sales/maturities	Holdings at Year end
2015	$000	$000	$000	$000
State owned enterprises	2,285	82,918	69,883	64,198
NZ Government mixed ownership	-	-	3,993	-
	2,285	**82,918**	**73,876**	**64,198**
2014	$000	$000	$000	$000
State owned enterprises	1,913	58,837	70,000	52,684
NZ Government mixed ownership	48	7,945	4,000	3,993
	1,961	**66,782**	**74,000**	**56,677**

Group Investment Funds

Public Trust manages 11 (2014: 40) Group Investment Funds (Funds), including the Funeral Trust Cash Fund. During the prior year there was a significant restructure in the make-up of the portfolio of Funds and a number of Funds were closed. In addition, there are now no balances with the Common Fund as Public Trust outsourced to BNP so all overdrafts (or otherwise) are now with BNP rather than the Common Fund. Group Investment Funds transactions that took place during the year include the following.

	2015 $000	**2014** $000
Reimbursement of expenses	77	1,020
Management fee received	3,904	3,295
Advice and service fee	1,052	2,511
Interest paid	-	5
Interest received	-	2
Total balances with the Common Fund at end of the year	-	56
Total overdrafts with the Common Fund at end of the year	-	(261)

Any outstanding balances are unsecured and repayable on demand, and interest is paid at market rates.

Funeral Trust Cash Fund

The Funeral Trust Cash Fund (the Fund) is a Portfolio Investment Entity (PIE) managed fund structure. Funds invested are protected by the Crown guarantee on capital and interest. Fund balances are all held within the Common Fund (including revenue earned, investment and cash balances). Public Trust has significant influence over the Fund as it acts as the trustee, manager and administrator of the Fund. Transactions that took place during the year in relation to the Fund include the following.

	2015 $000	**2014** $000
Interest paid	558	463
Total balances with the Common Fund at end of the year	31,366	32,915

New Zealand Permanent Trustees Limited

New Zealand Permanent Trustees Limited is a wholly owned subsidiary and the Parent receives a management fee from New Zealand Permanent Trustees Limited for services provided. All transactions between the Parent and New Zealand Permanent Trustees Limited were on normal terms and conditions. All intercompany balances are fully eliminated on consolidation. No outstanding amounts have been written down or provided for, as they are considered fully collectible.

	2015 $000	**2014** $000
Management fee	728	1,040
Due from subsidiary	197	215
Investment in subsidiary	4,654	4,654
Loan from subsidiary	9,488	8,892

Key management personnel

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

All related party transactions are made at arm's length and on normal terms and conditions.

28 | COMMITMENTS AND CONTINGENCIES

	2015 $000	2014 $000
Operating commitments		
Premises	8,686	5,805
Vehicles	506	301
	9,192	6,106
Analysis of operating commitments		
Payable within 1 year	2,984	2,485
Payable after 1 year and within 5 years	5,957	3,346
Payable after 5 years	251	275
	9,192	6,106

	2015 $000	2014 $000
Capital commitments		
Purchase of property, plant & equipment	2	-
Purchase of intangible IT assets	2,175	932
	2,177	932
Analysis of capital commitments		
Payable within 1 year	2,177	932
	2,177	932

Public Trust has capital non-cancellable commitments for s Public Trust has capital non-cancellable commitments for services contracted to its Business Improvement Platform.

Public Trust, in connection with its mortgage lending activities, has commitments to a value of $4.7 million to provide funding under undrawn revolving credit facilities and approved but undrawn applications (2014: $4.9 million). Services contracted to its Business Improvement Platform.

Contingent Liabilities

The Group had no contingent liabilities at 30 June 2015 (2014: $170,000).

29 | COMPARISON OF BUDGET TO ACTUAL

Assets and liabilities

Liabilities to clients increased by $19.5 million compared with a budgeted decrease of $66.9 million. Equity is $39.2 million compared to budget of $39.5 million and there is a Capital ratio at 30 June 2015 of 10.93%.

Revenue

Net revenue was $2.5 million lower than budget mainly driven by lower than expected Trustee Fee revenue.

Expenses

Expenses were $0.5 million above budget. Employee benefits were $0.5 million higher than budget due to higher than expected redundancy costs. Operating lease costs were $0.8 million higher than budget due to onerous lease provisions booked and depreciation charges were $0.4 million higher than budget resulting from the acceleration of depreciation on leasehold improvements. Impairment losses on advances secured by mortgage were $1.3 million favourable to budget due to the improvement in the quality of underlying assets.

Investment gains

Investment gains of $0.2 million below budget and were driven by unfavourable interest rate movements on derivatives held to manage Common Fund risk.

Profit

Profit after tax was $3.1 million below budget as a result of the lower revenue and higher operating expenses.

Cash flows

Cash flows from operating activities were $2.4 million higher than budget reflecting higher than budgeted net inflows from interest. Cash inflows from financing activities were $19.6 million compared to the budget which assumed cash outflows of $38.1 million (the budget assumed that client liabilities would continue to decline as in previous years).

30 | EVENTS AFTER THE REPORTING PERIOD

There were no significant events after balance date.

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF PUBLIC TRUSTS GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Public Trust and its subsidiaries. The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information, of the group consisting of Public Trust and its subsidiaries (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

— the financial statements of the Group on pages 29 to 78, that comprise the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

— the performance information of the Group on pages 10 to 18.

In our opinion:

— the financial statements of the Group:

- present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

— the performance information:

- presents fairly, in all material respects, the Group's performance for the year ended 30 June 2015, including for each class of reportable outputs:
    - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 7 October 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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.

An audit also involves evaluating:

— the appropriateness of accounting policies used and whether they have been consistently applied;

— the reasonableness of the significant accounting estimates and judgements made by the Board;

— the appropriateness of the reported performance information within the entity's framework for reporting performance;

— the adequacy of the disclosures in the financial statements and the performance information; and

— the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Board

The Board is responsible for preparing financial statements and performance information that:

— comply with generally accepted accounting practice in New Zealand;

— present fairly the Group's financial position, financial performance and cash flows; and

— present fairly the Group's performance.

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

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the areas of the audit of Public Trusts' Managed Funds and the completion of agreed upon procedures in relation to the transition of the managed funds to a new fund structure, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Group.

Stuart Mutch

Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

with you for generations to come

Public Trust

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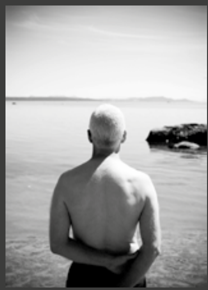















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