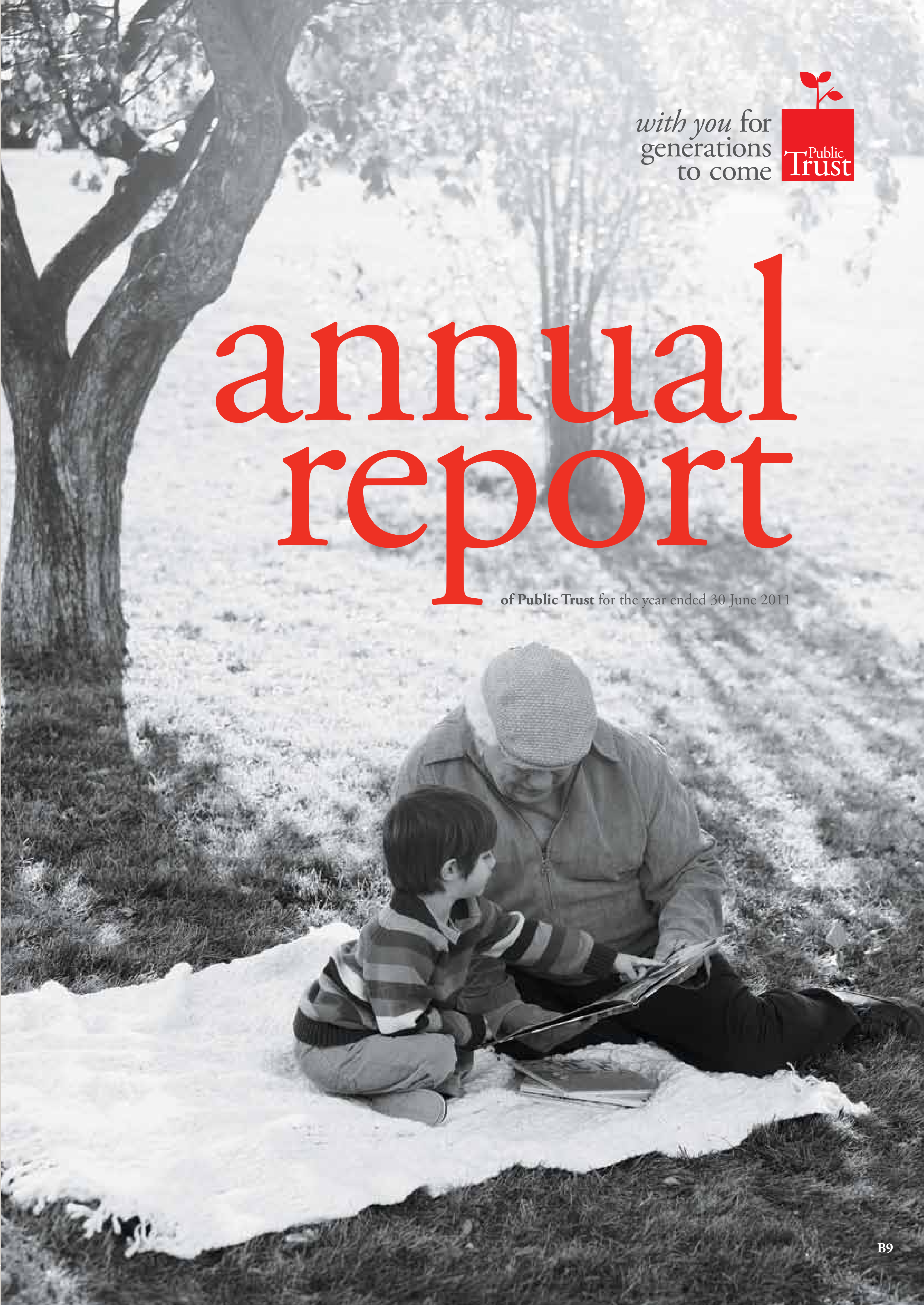


with you for generations to come

Public Trust

annual report

of Public Trust for the year ended 30 June 2011

He aha te mea nui o tenei ao?

He Tangata!
He Tangata!
He Tangata!

What is the most important thing in this world?

It is People!
It is People!
It is People!

Purpose

This Report has been prepared to meet the requirements of:

- Section 150 of the Crown Entities Act 2004
- The Statement of Intent of Public Trust.

The report covers the activities for the year ended 30 June 2011.

Foreword

On behalf of the Board, we have the pleasure of presenting the annual report of Public Trust for the year 1 July 2010 to 30 June 2011.

Trevor D Janes	Robin Hill
Chair	*Deputy Chair*
23 September 2011	

Contents

With you for *generations to come...*

Public Trust is New Zealand's most enduring trustee organisation, providing independent and reliable trustee services since 1873. As a Crown Entity its independence is guaranteed under the Public Trust Act 2001.

Public Trust's strong investment grade rating and deposit rating, combined with the Crown guarantee on Common Fund deposits, and interest guarantee under the Public Finance Act 1989, provides customers with confidence as to their investment with Public Trust.

Best known as New Zealand's largest provider of Wills and estate administration services, Public Trust also helps all New Zealanders grow and protect the important things in their lives with products and services including trusts, home loans, conveyancing, savings and investments, enduring powers of attorney and insurance. With 28 customer centres and 18 part-time offices nationwide Public Trust assists more than 252,000 New Zealanders.

Wherever people are at in their lives, whether they're starting a family, buying a home, building and managing assets or planning for retirement, Public Trust has the experience and expertise to help them protect what's important.

Personal *Customers*

Prepare more than 23,000 Wills annually

Look after more than 6,000 estates each year

Manage in excess of 4,000 family trusts

Total mortgage lending in excess of $195 million

Administer or manage nearly $4 billion in assets, including $1.3 billion in investment funds

Manage the financial matters for more than 2,100 customers as their attorney

Assist over 700 people who are incapacitated and unable to manage their own affairs.

Business *Customers*

Manage over 460 charitable trusts comprising approximately $420 million in assets

Distribute over $8 million of funding to charitable causes each year

Actively manage 29 farms across 19,600 hectares including Smedley Station, New Zealand's largest training farm

Safeguard fees for 48,000 students across more than 240 private training establishments.

Corporate *Customers*

Supervise approximately $35 billion on behalf of corporate, business and retail investors through our Corporate Trustee Services

Offer a full range of trustee services to some of Australasia's best known institutions covering over 300 appointments in the securities and financial markets

I felt valued as a customer and left with a distinct feeling that I am important to Public Trust. Thank you.

The advice and knowledge of my adviser was excellent. What I might have thought to be a complicated process was made to be a very simple and non-stressful experience.

They took away the anxiety and I was made to feel comfortable and in charge of what I wanted. My adviser suggested other products of benefit to me and my situation and answered my questions confidently.

Fee Protect is so easy to manage and deal with. Public Trust are caring, knowledgeable, reliable and really up with the play.

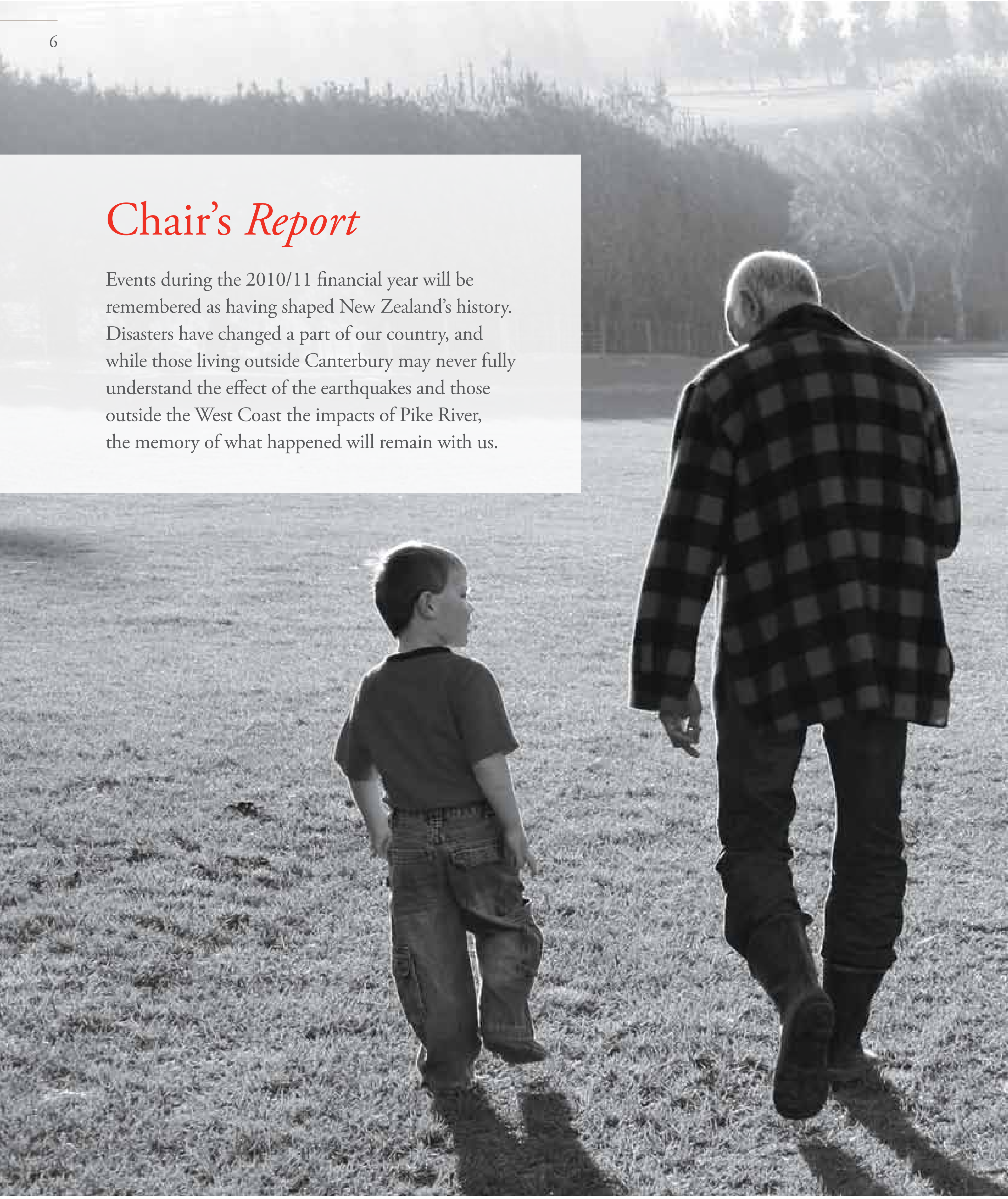
As farm manager of Parsons Estate farm, seeing the profits go to the local community as the late Mr Parson's wished is a big driver, and makes the job really special.

I found it so great that you really understood our grant application and looked at the whole picture and what we were hoping to do – you showed yours is an organisation with heart.

The Corporate Trustee Services team provides fantastic support. With our business growing rapidly, their input and service is important to us and the success of the business.

They understand our business needs implicitly and treat our business as importantly as their own. They are a genuine 'third pair of eyes' and we value their oversight.

The above quotes were sourced from Public Trust's customers in the last financial year.



Chair's *Report*

Events during the 2010/11 financial year will be remembered as having shaped New Zealand's history. Disasters have changed a part of our country, and while those living outside Canterbury may never fully understand the effect of the earthquakes and those outside the West Coast the impacts of Pike River, the memory of what happened will remain with us.

It would be fatuous to suggest that we have any real understanding of what our Christchurch colleagues and customers have gone through in the past year; we only know what they choose to share with us and observations we have from visiting. All we can do is assure them that we will offer all the support we can as they rebuild their lives and their city.

Financial performance

Public Trust's net profit after tax for the year was $0.2 million above budget at $0.6 million.

The net impact of the Canterbury earthquakes on the 2010/11 financial performance has been significant at $1.7 million. Revenues were impacted by $1.1 million and additional costs of $1.9 million were incurred. This was partly offset by $1.3 million of insurance recoveries which were recognised in the year. In addition, $2.0 million was invested in the establishment of our three new sites, which were secured in March. This followed the February earthquake which left all three of our existing premises un-tenantable.

Our focus to build a market leading trustee business has continued. Customer satisfaction has continued to improve, and we have increased core trustee fee revenue along with productivity gains and held operational expenses. This helped offset the expected decrease in Common Fund revenue.

The reshaping of the mortgage portfolio continued with a reduction in mortgage losses as the value of the mortgage book declined and the mix changed as planned towards high quality residential lending.

Public Trust's overall equity position has improved over the period, increasing by $1.6 million to $21.7 million. The Board remains committed to ensuring Public Trust builds its capital base to ensure full compliance with the Non Bank Deposit Taker Regime (NBDT).

Strategic direction

Public Trust has continued to implement the key strategies aimed at ensuring the organisation's ongoing relevance to New Zealanders and achieving financial sustainability.

While requiring significant investment, the programme of change has delivered tangible results including year-on-year growth in core fee revenue, high customer satisfaction levels and increases in market share in key market segments. These measures all indicate that we are on the right path to deliver enhanced value for both our customers and the Crown.

Regulatory change

The external regulatory environment continues to evolve. Public Trust has undertaken substantial work to ensure it is both compliant with, and able to, leverage the competitive opportunities presented by regulatory changes.

We now have 200 Registered Financial Advisers, including 13 Authorised Financial Advisers to meet the needs of our customers and the requirements of the Financial Advisors Act. A programme of work is in place to ensure Public Trust continues to meet its regulatory obligations including those created by the reforms in the Security Trustees & Statutory Supervisors, and the Anti-Money Laundering and Countering Financing of Terrorism Acts.

We are compliant with the risk management and credit rating requirements of the NBDT Regime and were granted a three-year period to progressively meet the capital ratio requirements of this regime.

In August 2010, Moody's Investors Service assigned Public Trust a first-time issuer credit rating of Aa3 and a backed long-term deposit rating of Aaa covering deposits held in the Common Fund. The ratings are a strong result for Public Trust and reflect the organisation's established trustee franchise, funding profile, sound strategic direction and the ongoing support provided by the Crown.

Furthermore, the strong investment grade credit rating and deposit rating, combined with the Crown guarantee on Common Fund deposits, provides customers with confidence as to their investments with Public Trust.

Non-commercial services

As well as operating competitively in the trustee services market, Public Trust has contractual arrangements in place with the Ministry of Justice to provide non-commercial, protective fiduciary services. These include the provision of a Wills drafting service and the administration of small estates, trusts and personal property protective rights.

Overall equity position has improved over the period increasing by $1.6 million to

$21.7 million

Above budget net profit after tax of

$0.6 million

The Crown has confirmed its requirement for Public Trust to continue to provide these services. We are working closely with the Ministry of Justice to meet the Crown's public policy requirements.

Changes to the Board

In April 2011, we welcomed Dinu Harry as a member of the Board. Dinu brings with him extensive governance, business, accounting and financial management experience and will be a valuable addition to the Board.

I would like to thank outgoing member Candis Craven for her service to the Board since 2008, and her guidance during a period of significant change to the organisation.

Thanks

It has been a difficult year for all of our employees, given the challenges presented by the Canterbury earthquakes, the difficult market conditions, and the significant level of change we have continued to implement throughout the organisation.

I particularly want to recognise commitment shown by our many employees living in Christchurch. The way that you continued to support our customers at a time of great personal challenge has been exceptional. We have made a significant investment in establishing new premises in Christchurch for our Customer,

> "Events during the 2010/11 financial year will be remembered as having shaped New Zealand's history."

Southern Service and Contact Centres. We remain strongly committed to the region, our customers and employees.

I would like to thank my Board colleagues, Grenville Gaskell, management and all employees for their hard work to lead the organisation through these challenges. I would also like to acknowledge their commitment to building a stronger and more durable business.

Outlook

Key to success in the 2011/12 financial year will be Public Trust's ability to continue to grow core fee revenue and progress the extensive programme of change to achieve financial sustainability.

While making good progress this year towards its goal of becoming financially sustainable, the organisation remains dependant on the reversal of investment losses which are dependent upon external market factors. This will continue to create uncertainties in the medium term.

We remain confident that Public Trust can improve its financial position and reinforce its role as Trustee for all New Zealanders as we deliver an enhanced customer experience.

Trevor D Janes, Chair

Chief Executive's *Report*

Public Trust has continued to make progress towards financial sustainability while responding effectively to significant challenges and events such as the Canterbury earthquakes and Pike River disaster. We are a stronger organisation today than a year ago and this reflects the commitment of our people to ongoing performance improvement.

In particular we continue to improve our service quality to customers. Our commitment to helping New Zealanders grow and protect the important things in their lives remains core to everything we do.

Our ability to maintain a profit for the 2010/11 year ahead of budget is encouraging given the substantial disruptions caused in particular by the Canterbury earthquakes.

Current performance

Over the past year, our focus on short-term performance improvement, alongside longer-term strategic change, has enabled us to respond quickly and favourably to difficult market conditions including the significant disruption caused by the Canterbury earthquakes and substantial regulatory change.

Our total fee revenue, while negatively impacted by the effects of the Canterbury earthquakes, still increased year-on-year by 3.4%. All business segments grew in revenue, with the Corporate Trustee Services continuing to perform particularly strongly with an increase in funds under supervision of $6 billion to $35 billion.

In addition, the transition of the mortgage portfolio to a lower risk position has continued, with the value of the loan book declining from $241 million to $195 million. The composition and size of the mortgage portfolio has also changed significantly as we transition it towards high-quality residential lending, utilising our broker channel and improved internal capability.

Productivity levels continued to improve with a 3.1% increase in revenue per frontline and support full-time equivalent employee over the year. Close management of operating costs resulted in an increase limited to 0.9% year-on-year which was $1.1 million below budget.

Our focus on increasing trustee services revenues and operating cost management have combined to offset the expected decrease in Common Fund revenues. Full year Common Fund revenue reduced by $2.6 million, or 13.8%, and is now 27% of total revenue, down from 30.7% last year. We see the continued improvement in the revenue mix towards fee revenue as an important indicator of future sustainability around quality core earnings.

The work undertaken to make Public Trust a stronger, more sustainable business has meant continued organisational change. Our annual employee engagement survey reflected this with a slight decline from 41% last year to 39%. We have an extensive learning and development programme focused on supporting our people as we continue to lift overall capability and seek to improve engagement levels.

Improving the customer experience

During the year, we have progressed changes to our brand and the way we deliver our products and services to customers. This included continued investment in processes to improve our overall service quality and efficiency, with initiatives to enhance our estate and family trust processes and billing systems.

There have been continued improvements in customer satisfaction. Research results confirm customers who are either satisfied or very satisfied has increased to 81% from 70% last year. The improvement is further confirmed by an increase in our Net Promoter Score (NPS) from 18 to 23, which is a very positive result. Our Corporate Trustee Services also achieved an outstanding result, lifting their NPS from 33 last year to 54 this year.

In April, we launched our tailored customer feedback channel. With response rates 50% higher than initially estimated, this is providing valuable insights from our customers about the things we are doing well and the things we can do to improve. The results are helping us respond to the changing needs of our customers to ensure we continue to adapt our service offering to meet individual needs.

Our new Public Trust Investment Service, was successfully launched during the year. Designed to cater to investors' needs with tailored portfolio solutions, the offering provides customers with quality investment advice, a comprehensive range of investment options and transparent reporting.

In parallel with the launch of our new investment service, we completed a significant work programme to ensure full compliance with the Financial Advisers Act (FAA) 2008 which was effective 1 July 2011. This involved an integrated training programme for our people and the implementation of new documentation and procedures to align internal processes to FAA requirements.

> "Our commitment to helping New Zealanders grow and protect the important things in their lives remains core to everything we do."

All of our front line advisers are now Registered Financial Advisers and we have a number of qualified Authorised Financial Advisers who can help customers with more complex investment needs.

Public Trust's promise to our customers is to be with you for generations to come. Over the past year we have made further substantial progress to be able to understand and meet the needs of our customers at all life stages.

Thanks

The past year has seen a number of unique challenges and opportunities for Public Trust and I would like to thank and recognise the dedication and contribution of all our people. There have been a large number of projects completed and we have asked a lot of our people in ensuring these were implemented while also supporting normal business operations. I am very grateful for the support of the Executive Leadership Team.

The resilience shown by our employees in response to the Canterbury earthquakes was humbling and their continued flexibility as we re-establish services has been remarkable.

Our programme of support to help our people and customers address the changes to their lives will continue for the foreseeable future.

I would like to recognise the commitment of our outgoing General Manager of Human Resources, Dave Conning, after 14 years service and thank him for his advice and guidance as we implemented significant change projects across the organisation. I wish Dave all the best for the future. I also welcome Cheryl Crooks, who was appointed to the role in July, and brings with her a wealth of experience.

My thanks also go to the members the Board. Their guidance and support has been pivotal to this year's achievements.

Outlook

Our outlook for 2011/12 is one characterised by a challenging operating environment with ongoing regulatory change. The changes we have made to become a stronger business will enable us to competitively respond to these uncertainties and to capture the opportunities we see in front of us.

Over the coming year we will continue our progress by focusing on our customers and people as we strive to improve organisational performance. We have an exciting programme of change with a number of key projects designed to further strengthen Public Trust's position.

Our clear strategic direction and focus on ensuring long-term financial sustainability by becoming a truly customer centric organisation will ensure we achieve our goal of being the leader in the New Zealand trustee services market.

Grenville Gaskell, Chief Executive

Total fee revenue increased year-on-year

by 3.4%

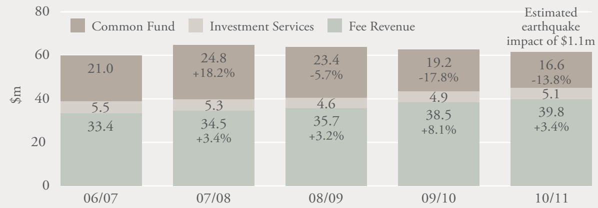
We are compliant with the Financial Advisers Act (FAA) 2008, effective 1 July 2011

Customer satisfaction increased

to 81%

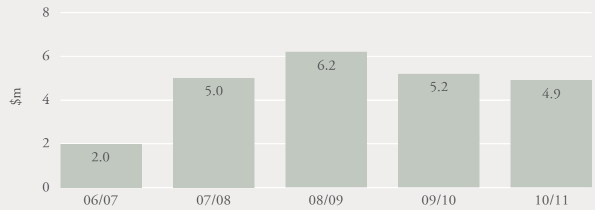
Key Trends

Revenue



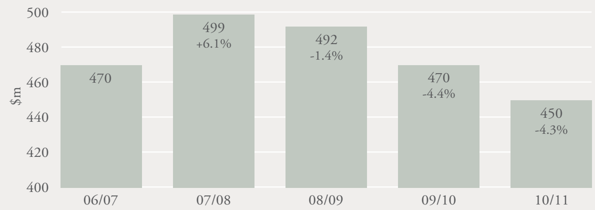
Fee revenue increased by 3.4% year-on-year despite disruption caused by the Canterbury earthquakes. This growth was offset by the expected decline in Common Fund revenue.

Transformation Costs



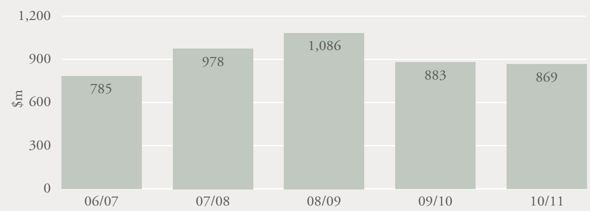
Public Trust's transformation programme is focused on ensuring future sustainability and achieving a position of leadership in the New Zealand trustee services market. Transformation spend in 2010/11 excludes $1.9 million of costs relating to earthquake recovery.

Number of Employees



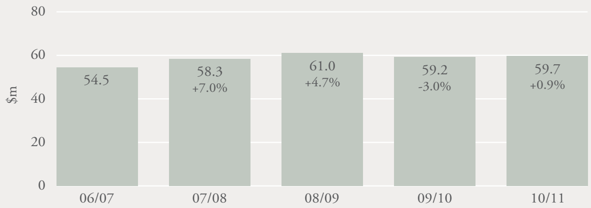
Permanent employee numbers have continued to reduce in line with Business Plan forecasts.

Client Liabilities



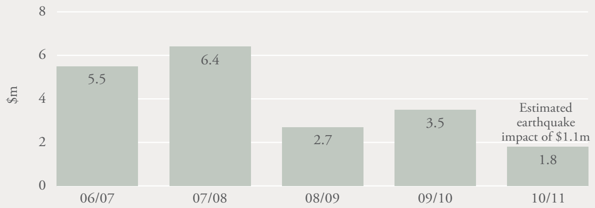
Client liabilities declined by $13.4 million (1.5%) in 2010/11 in line with the planned reduction in the size of the Common Fund and competition for retail deposits.

Operating Costs



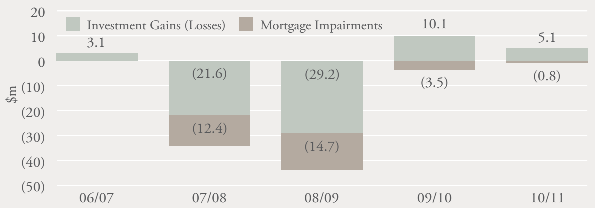
Operating costs (excluding transformation costs and mortgage impairments) were held essentially flat year-on-year through tight cost management and productivity gains. Operating costs in 2010/11 exclude $1.9 million of costs relating to earthquake recovery.

Operating Surplus



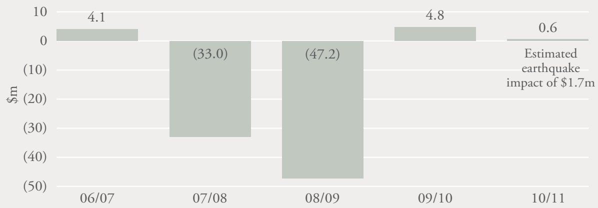
Operating surplus for 2010/11 reduced $1.7 million from the previous year, driven by the anticipated reduction in Common Fund revenue (down $2.6 million). Fee and investment services revenue increased from 2009/10 while operating costs were marginally higher than last year. Operating surplus excludes transformation costs, mortgage impairments, investment revaluations and insurance recoveries.

Mortgage Impairments and Investment Gains (Losses)



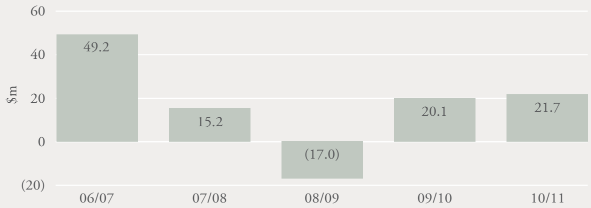
Significant mortgage impairments and unrealised investment losses were incurred in 2007/08 and 2008/09 stemming from the global financial crisis. Mortgage impairments have subsequently reduced considerably and unrealised investment losses are now reversing to profit as the underlying securities approach maturity and credit market conditions improve.

Net Profit After Tax



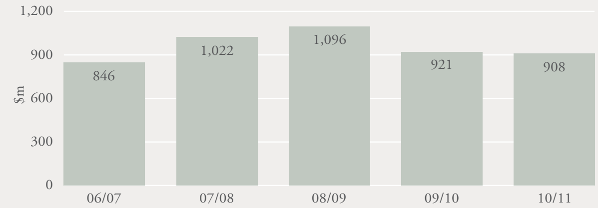
Profit After Tax in 2007/08 and 2008/09 was impacted by significant mortgage losses and unrealised investment losses. Profit After Tax in 2010/11 is down from 2009/10 due to a lower level of reversal of investment losses. The 2010/11 result also includes an estimated Canterbury earthquake impact of $1.7 million (net of insurance proceeds to date).

Equity



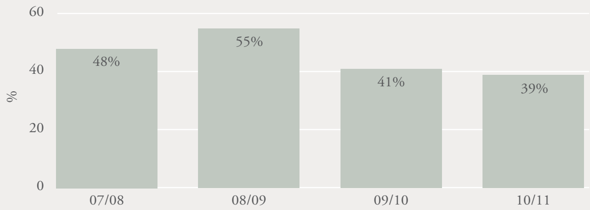
The equity position has remained relatively stable throughout 2010/11 as a result of the improved performance of investments and the reduction in mortgage impairments.

Total Assets



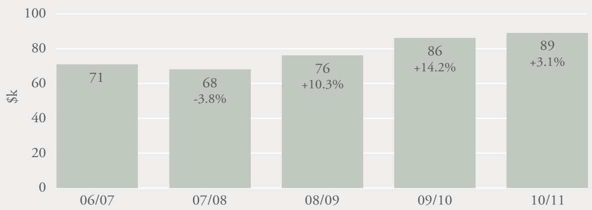
Total assets declined by 1.5% in 2010/11 driven primarily by the planned reduction in the size of the Common Fund.

Employee Engagement



The 2% decrease in employee engagement from 41% to 39% predominantly reflects the high level of change implemented across Public Trust.

Productivity (Revenue per Fee-Earning FTE)



Revenue per fee-earning full-time employee (FTE) has increased from $86,000 last year to $89,000 in 2010/11 (+3.1%) as the transformation programme has improved processes and operational efficiency.

The key performance trends information is based on management accounting definitions used for internal reporting of revenue and cost. This information is presented for performance reporting purposes and may not directly correspond to the financial statements within the annual report which are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

Public Trust's *Christchurch recovery*

As with many organisations, the Canterbury earthquakes affected our people, customers and operations on an unprecedented scale. Since the first earthquake in September 2010, through to the severe aftershock in June 2011, we have been focused on providing support to our people and customers based in Canterbury.

Public Trust has 85 employees in Christchurch, around a quarter of our customer servicing people, at our National Contact, Southern Service and Customer Centres. Following the earthquakes our first priority has been for the safety and wellbeing of our employees. Given the damage caused by the earthquakes and, specifically sustained to our places of business, we are most thankful that all of our people and their families have remained safe.

The quick establishment of our incident response team and their effective implementation of our business continuity plan, helped maintain a high level of customer service. Phones were diverted within an hour of each event to temporary centres. Plans were established to support services from other Public Trust centres around the country. Alternative arrangements were put in place for our Christchurch teams as they became available for work again.

Rebuilding our Christchurch operations

Restoring full services levels, with the continued disruption from aftershocks, has been challenging. Our three centres maintained varying levels of damage in September 2010. After the February 2011 earthquake all premises sustained significant further damage, and were unable to be used.

Even though suitable low rise, central premises were at a premium, Public Trust made a recommitment to the region within a week of the February earthquake securing three alternate premises in excellent locations. These were leased, designed and then fitted out extremely quickly, with each site opening for business in May 2011.

Ongoing Challenges

Unfortunately the earthquake of 13 June 2011 damaged our new Customer Centre in Riccarton. While the necessary remedial work is being completed, our Customer Centre services are being provided out of new National Contact Centre in Hornby and Southern Service Centre in Addington. We expect to return to Riccarton in early October 2011.

Public Trust responded effectively to the initial disasters and moved rapidly to recover business operations. Despite Public Trust's swift response, the disruption to our business has been significant as we diverted resources from other parts of our business to support Christchurch.

We are very appreciative of the way our people in Christchurch, and throughout New Zealand, have supported our customers and played lead roles in re-establishing our operations in the city.

Financial impact of the Canterbury Earthquake

	2010/11 $m	2009/10 $m
Reported Net Surplus After Tax	**0.6**	**4.8**
Impact of Earthquake		
Estimated Revenue Loss	1.1	-
Additional Operating Expenditure Incurred	1.9	-
Sub-Total	**3.6**	**4.8**
Insurance Recoveries Recognised in 2010/11	(1.3)	-
Net Surplus After Tax excluding the Impact of the Earthquake	**2.3**	**4.8**

The Canterbury earthquakes, in particular the earthquake of 22 February, had a significant impact on the 2010/11 financial performance of Public Trust.

All three Public Trust offices were extensively damaged on 22 February. This damage, combined with considerable disruption to the property and routines of our people, resulted in reduced fee revenue in the subsequent months. Customer-servicing duties and responsibilities were transferred to other Public Trust sites where it was possible to do so, however the estimated lost revenue over this period was $1.1 million.

Recovery from the earthquakes has been a substantial undertaking and has required a large number of resources. The costs associated with the recovery totalled $1.9 million and include asset write-offs from damaged premises. Incurring these costs has ensured that Public Trust's Christchurch operations have returned to near full capacity as early as possible while remaining mindful of the circumstances of our people.

Insurance cover will ensure that the overall financial impact of the earthquakes on Public Trust is softened. Insurance recoveries will assist in offsetting both operating and capital expenditure which were incurred as a result of the earthquakes. Insurance recoveries recognised in the 2010/11 result totalled $1.3 million, while further recoveries will be recognised in the 2011/12 financial year as costs are finalised.

After removing all the identifiable financial impacts of the Canterbury earthquakes, the 2010/11 result for Public Trust is a Net Surplus After Tax of $2.3 million (2009/10: $4.8 million).

Strategy

Our purpose is:

To help all New Zealanders grow and protect the important things in their lives

Our Vision is:

To be the leader in the trustee services market

To achieve this, Public Trust is enhancing the customer experience, building productive relationships with customers and delivering services and experiences that enhance loyalty and advocacy.

The primary focus of Public Trust's strategic plan is to:

- Refine and enhance the customer experience, becoming customer-driven, resulting in stronger relationships with customers;
- Invest in, and develop, the capabilities of our people to create a highly productive and engaged workforce that enables Public Trust to transform into a commercially successful organisation and builds a culture of adaptability to change;
- Improve operating performance through increasing core trustee revenue while tightly managing costs;
- Achieve productivity gains from implementing effective and efficient operational management systems and process improvements;
- Ensure Public Trust's cost structures are optimised to ensure that value is delivered to customers and financial performance targets are achieved; and
- Leverage regulatory requirements to enhance our competitive positioning and business opportunities, gaining competitive advantage through the introduction of new and desirable product and service offerings that meet customer needs.

Key strategies

The strategies summarised below are designed to transform Public Trust's service offering and delivery model. Seven strategic goals are supported by 21 key strategies. Successful deployment of the key strategies will result in a financially sustainable business centred on our customers.

Governance

Public Trust was established as a statutory corporation under the Public Trust Act 2001. Public Trust is a Crown Entity for the purposes of the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board of Public Trust, which comprises not fewer than five nor more than nine members, is appointed by the Minister of Justice, (the responsible Minister). The Board currently has eight members.

Role of the Board

Trevor Janes *(Chair)*
Robin Hill *(Deputy Chair)*
Sarah Roberts
Candis Craven *(to 31 October 2010)*
Rodger Finlay
Fiona Oliver
Hinerangi Raumati
Sue McCormack
Dinu Harry *(from 20 April 2011)*

The Board and its members are responsible in terms of the Public Trust Act 2001 and the Crown Entities Act 2004 to the responsible Minister for supervising or directing the management of the affairs of Public Trust. The Board appoints the Chief Executive, delegates to the Chief Executive appropriate authority for the day-to-day management of Public Trust and monitors management's performance on a regular basis. The Chief Executive is responsible to the Board for the efficient and effective management of the affairs of Public Trust.

Separation of the governance role of the Board from the management role of the Chief Executive is reinforced by the express bar 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.

Formal reporting by the Board to the Minister is on a quarterly basis.

The Board is committed to the highest standards of behaviour and accountability and has adopted the following policies and procedures.

Board Committees

There are currently four standing committees of the Board: the Risk Assurance and Audit Committee, the Investment Committee, the Governance and Remuneration Committee and the Due Diligence Committee. The Chair is an ex officio member of all the Board committees.

Membership of the Committees is set out below. Committee members named were members of the applicable Committee for all or part of the year.

Risk Assurance and Audit Committee (RAAC)

Robin Hill *(Chair)*
Hinerangi Raumati
Sarah Roberts
Dinu Harry *(from 27 May 2011)*
Trevor Janes *(ex officio)*

RAAC meets a minimum of four times a year. The Chief Executive and Chief Financial Officer and other members of management attend by invitation, as do the external and internal auditors.

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 adopted to ensure compliance with applicable legislation, regulations and code of practice
- financial statements relating to Public Trust and the Public Trust Managed Funds.

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

Candis Craven *(Chair to 31 October 2010)*
Rodger Finlay *(Chair from 1 November 2010)*
Fiona Oliver
Hinerangi Raumati
Trevor Janes *(ex officio)*

The Investment Committee meets a minimum of six 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, the Public Trust Investment Funds, the Group Investment Funds and Charitable Trust PIEs (together 'Funds')
- estate financial assets other than those invested in the Funds
- the free working capital of Public Trust.

Due Diligence Committee

Sarah Roberts *(Chair)*
Rodger Finlay
Fiona Oliver
Sue McCormack
Dinu Harry *(from 27 May 2011)*
Trevor Janes *(ex officio)*

The Due Diligence Committee supervises, on behalf of the Board, the due diligence process for documents in respect of securities offered to the public of which Public Trust is issuer. Until 22 June 2011 the Due Diligence Committee was also constituted as the Due Diligence Committee of Public Trust's subsidiary New Zealand Permanent Trustees Limited (NZPT). From 22 June 2011 the NZPT Board has constituted its own Due Diligence Committee to supervise the due diligence process where NZPT is issuer of securities offered to the public. NZPT meets quarterly and holds additional meetings on an "as required" basis.

Governance and Remuneration Committee

Fiona Oliver *(Chair)*
Candis Craven *(to 31 October 2010)*
Sue McCormack
Robin Hill
Trevor Janes *(ex officio)*

The Governance and Remuneration Committee held its first meeting on 24 June 2010. The Committee meets at least three times a year. The purpose of the Committee is to assist and advise the Board and the Board Chair in fulfilling the Board's corporate governance responsibilities in regard to the:

- governance and management of the Board's business including through its committees
- performance of the Board and its committees
- human resources strategy
- appointment and remuneration of the Chief Executive and the assessment of his or her performance
- consultation with the Chief Executive on appointment of members of the Executive Leadership Team.

Performance Targets and *Other Measures*

Public Trust operates within the legislative framework governing non-company Crown entities, under the Crown Entities Act 2004. Reporting is in three parts:

Part A – Crown Stewardship Interest. This is the ownership interest of the Crown for which a number of performance targets and measures as detailed in the Statement of Intent are reported on page 32.

Part B – Statement of Output Objectives. This relates to the purchase of non-commercial activities by the Crown, which is reported in the Statement of Service Performance on page 99.

Part C – Good Employer Reporting. Public Trust is required by the Crown Entities Act 2004 to report on its obligation to be a good employer. The report is on page 28.

Board and Executive *Leadership Team*

Board

Right, top to bottom: Trevor D Janes, Robin Hill, Rodger Finlay, Sue McCormack

Trevor D Janes *(Chair) BCA, CA, FNZFIP, FInstD*
Public Trust Board Member since May 2009
Chair since May 2010

Trevor is an experienced Company Director who sits on a number of public and private boards. He is Deputy Chairman of Abano Healthcare Ltd and of Mighty River Power Ltd, a director of ProCare Health Ltd and a member of the Postal Network Access Committee. Trevor is a shareholder and director of the litigation funding company LPF Group Ltd. Trevor's career has been in investment banking and financial analysis. He is a Fellow of the Institute of Financial Professionals New Zealand Inc, and was previously a Fellow, and past Chairman, of the New Zealand Society of Investment Analysts. He is also a member of the Chartered Financial Analysts Institute (USA) and of the CFA Society Inc in New Zealand, an affiliate of the United Kingdom Society of Investment Professionals and a Fellow of the Institute of Directors.

Robin Hill *(Deputy Chair) BCom, Fellow NZICA*
Public Trust Board Member since May 2007
Deputy Chair since 2007
Chair of the Risk Assurance and Audit Committee
Member of the Governance and Remuneration Committee

Robin has a background in financial and commercial roles and has gained insight from working with some of New Zealand's leading corporate organisations. He is an Advisory Trustee of the New Zealand Defence Force Superannuation Scheme, Deputy Chair of the Gas Industry Company Limited, and a Trustee of the Volunteer Service Abroad Foundation. Robin's range of experience includes working as Managing Partner of Coopers and Lybrand Wellington and as Chairman and Chief Executive of Coopers and Lybrand (New Zealand) where he managed the successful merger with Price Waterhouse to form PricewaterhouseCoopers. Robin was an inaugural member of the Accounting Standards Review Board. He is a Fellow of the New Zealand Institute of Chartered Accountants.

Rodger Finlay *BCom, CA*
Public Trust Board Member since May 2009
Chair of the Investment Committee

Rodger is a company director and former investment banker. He has experience in the financial services, funds management and investment banking sectors. His directorships include Rural Equities Limited where he chairs the Audit Committee, Moeraki Limited and Mundane Asset Management Limited, of which he is Chairman. Rodger has more than 25 years experience in the financial services industry including senior investment banking and funds management positions with a range of major international institutions including UBS, Paribas and Credit Suisse First Boston. He is a member of the New Zealand Institute of Chartered Accountants and of the Institute of Directors.

Sue McCormack *BA, LLB*
Public Trust Board Member since May 2010
Member of the Governance and Remuneration Committee
Member of the Due Diligence 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 business mergers and acquisitions, dispositions and insolvency law. Sue is an experienced company director and has sat on a number of public and private boards. She is a Member of the University of Canterbury Council and has previously been a director of the Lyttleton Port Company Limited and the New Zealand Symphony Orchestra. Sue is currently a trustee of St Margaret's Board of Trustees and Honorary Solicitor of Dress for Success (NFP). Sue is also a member of the Institute of Directors.

Board (continued)

Left, top to bottom: Fiona Oliver, Hinerangi Raumati, Sarah Roberts, Dinu Harry.




Fiona Oliver *LLB, BA*
Public Trust Board Member since November 2009
Chair of the Governance and Remuneration Committee
Member of the Investment Committee
Member of the Due Diligence Committee

Fiona has experience in operational leadership roles in Auckland, Sydney and London in asset and funds management, private equity and the wider financial services industry. She was the Chief Operating Officer of BT Funds Management (NZ) Limited, the investment arm of Westpac, from 2006 to 2009. Recently, Fiona has consulted to a major New Zealand trading bank on wealth management strategy and is currently assisting AMP Financial Services (NZ) Limited on integration initiatives following AMP Limited's purchase of AXA Asia Pacific Holdings. Fiona has also worked in private practice in Auckland and London as a corporate and commercial lawyer, specialising in corporate finance. Fiona also serves as a board member of Dress for Success (NFP). She is a member of the Institute of Directors.

Hinerangi Raumati *BMS, MMS, CA*
Public Trust Board Member since November 2009
Member of the Risk Assurance and Audit Committee
Member of the Investment Committee

Hinerangi is a Chartered Accountant with investment and financial management and governance experience. Hinerangi is currently Executive Director of Operations at Te Wananga o Aotearoa responsible for Finance, HR, IT, Property and Executive Support. Her current governance roles include director on the Te Ohu Kai Moana Trustee Ltd, director of Te Ohu Kai Moana Portfolio Management Services Limited, Management Committee member of Parininihi ki Waitotara Inc and Trustee of the Parininihi ki Waitotara Trust and Chair of the Nga Miro Health Trust. Hinerangi was CFO of Tainui Group Holdings Limited from 2002 to 2009 and was previously Deputy Chair and Chair of the Investment Committee of Trust Waikato. She is a member of the New Zealand Institute of Chartered Accountants.

Sarah Roberts *LLB (Hons)*
Public Trust Board Member since May 2007
Chair of the Due Diligence Committee
Member of the Risk Assurance and Audit Committee

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 companies on a variety of acquisitions, dispositions, joint ventures, management buyouts and structuring matters. Sarah is a member of the Auckland University Council. Sarah 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 and of the Australian Venture Capital Association.

Dinu Harry *BBusS, Fellow NZICA*
Public Trust Board Member since April 2011
Member of the Risk Assurance and Audit Committee
Member of the Due Diligence Committee

Dinu is a Chartered Accountant with governance, business, accounting and financial management experience in the public, private and not-for-profit sectors. He is a director of Bertelsen Harry Waters Limited, Chartered Accountants and Business Advisors and has experience in ethical and sustainable business practices in New Zealand. Dinu has a proud tradition of involvement with the New Zealand Institute of Chartered Accountants (NZICA). He has served on the National Public Practice Committee and Practice Review Board and was President of the Institute in 2010. He has been a tutor at Massey University in First and Second Year Financial and Management Accounting. Dinu is a member of the Institute of Directors and holds several directorships. He is also a member of the Council of Unitec Institute of Technology, Auckland where he is Chair of the Finance, Audit and Risk Management Committee.

Executive Leadership Team

Right, top to bottom: Grenville Gaskell, Ann Brennan, Ken Reilly, Grant Brenton, Dennis Church, Cheryl Crooks, Simon Dixie, Alex Polaschek.

***Grenville Gaskell** *(Chief Executive) BCA*
Chief Executive of Public Trust since April 2007

Grenville has held senior roles in the banking and energy sectors, with considerable experience in developing product strategy, new product launches, leading the integration of a major retail bank and delivering major change programmes. Prior to Public Trust he was the Director of New Zealand Operations for a major energy company, responsible for electricity generation, wholesale and retail.

***Ann Brennan** *(General Counsel) LLB (Hons)*
Joined Public Trust in 2007

Ann has extensive legal experience both in private practice and with commercial law firms and as a senior adviser in the banking sector. She has particular expertise in corporate and commercial law, banking and financial services, governance, regulation and dispute resolution. As General Counsel, Ann leads the trust and corporate legal, risk and compliance teams, is responsible for quality assurance and regulatory affairs and is Board Secretary.

***Ken Reilly** *(Chief Financial Officer) BComm (Hons), MBA, CMA*
Joined Public Trust in 2010

Ken has extensive experience in senior financial management roles gained from positions he has held overseas and in New Zealand. Has worked in industries as varied as telecommunications, manufacturing, research and development, energy and consulting. As Chief Financial Officer, Ken is responsible for finance, tax, planning, investments, commercial services and the project management office.

***Grant Brenton** *(General Manager Marketing)*
Joined Public Trust in 2008

Grant has over 16 years experience in the trustee industry, including national manager and general manager of personal trustee services roles. He has also owned and operated retail businesses and has had senior roles with two large finance companies. As General Manager Marketing, Grant is responsible for the development and implementation of Public Trust's marketing strategy including building the organisations brand, customer experience and suite of services.

***Dennis Church** *(General Manager Corporate Trusts)*
Joined Public Trust in 2005

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. Dennis has broad financial services experience and has previously worked in share broking and as a management consultant. As General Manager Corporate Trusts, Dennis is responsible for managing the Corporate Trustee Services business.

Cheryl Crooks *(General Manager Human Resources)*
Joined Public Trust in July 2011

Having held executive leadership roles since 2004, Cheryl has an extensive career in Human Resource Management and organisation performance and change. She has held senior roles in government agencies leading strategic change. As General Manager Human Resources, Cheryl is responsible for establishing and implementing the organisation's development and human resources strategy, including leading the Public Trust culture change initiative.

***Simon Dixie** *(General Manager Operations)*
Joined Public Trust 2007

Simon has 26 years experience in management roles in the finance and energy industries, and has specific expertise in IT management, banking credit cards, finance, project and programme management and risk management. As General Manager Operations, Simon is responsible for managing the delivery of Public Trust's estate and trust administration services, mortgage processing, information services and funds administration.

Alex Polaschek *(General Manger Personal and Business)*
Joined Public Trust in 2007

Alex has previously held senior management roles with major energy companies in positions that have covered sales and marketing, corporate sales, commercial management and pricing management. As General Manager Personal and Business, Alex is responsible for Public Trusts customer experience through the distribution of Public Trust products and services across the national retail network, contact centre and online channel.

* Grenville Gaskell, Ann Brennan, Ken Reilly, Grant Brenton, Dennis Church and Simon Dixie are directors of a number of Public Trust and New Zealand Permanent Trustees Limited subsidiaries and are members of the Institute of Directors.

Good Employer Report

For the year ended 30 June 2011

In the last year the organisation has continued to improve the outcomes relating to the fair and proper treatment of all employees through the human resources policies, processes, initiatives and programmes.

These included:

- provision of good and safe working conditions
- equal employment opportunities (EEO)
- impartial and transparent recruitment and selection practices
- recognition of the aims, employment requirements and involvement of Maori
- opportunities for the development of individual employees
- recognition of the aims, employment requirements and involvement of ethnic or minority groups
- the employment requirements of persons with disabilities.

The areas of focus are divided across seven major areas, each of which is detailed below.

People and culture

We have continued to focus on developing the capability and performance levels of our employees as we implement the PT*ON* transformation change programme.

Each year Public Trust undertakes a survey of all employees to assess the level of employee commitment, satisfaction, advocacy and pride our people have in Public Trust as an employer. Conducted by an external consultancy Right Management the July 2011 survey received a response rate of 82% and an overall level of engagement of 39% slightly down on the 2010 survey result of 41%. Whilst a drop was disappointing, it was expected given the quantum of change being implemented across Public Trust. To increase the level of engagement with our people the priority is to work with employees to identify the actions that will lift engagement in our workplace.

During the year we continued to work in partnership with the Public Service Association (PSA) and internal delegates on initiatives that could or did affect employee's terms and conditions of employment. The Collective Agreement with the PSA expired on 30 September 2010 and a new agreement was bargained and ratified by members. This included developing a joint working party to review the remuneration policy which will be done in conjunction with the development and implementation of our Employment Relations Strategy.

Recruitment, selection and induction

A range of recruitment activities is used to attract a broad range of skilled and experienced applicants, internally and externally, for vacancies while ensuring we maintain appropriate levels of skill and capability requirements for roles.

Using structured recruitment and selection practices we continue to ensure that appointments meet our requirements. In the 2010/11 year we filled 124 positions with 34 of these being internal movements.

Appropriate induction of employees continued this year with new employees completing a self-paced induction pack, and attending an induction course after spending up to two months in their roles. We retained membership with the EEO Trust and continue to use the EEO Employers Group branding for all external advertisements we place. In addition, every job description contains our EEO statement of intent.

Employee development, promotion and exit

Significant levels of training programmes continue to be delivered to our employees as we develop and grow our leadership, sales and technical capabilities. Training was undertaken in core services including estate management, trusts, Wills, insurance and mortgages as well as behavioural type training on sales techniques.

The enhancement of technical capabilities and competencies is undertaken through our distributed learning and development function within business units. This enables more focused and tailored training programmes to be delivered to develop the core competencies of our people.

The average expenditure on employee development, covering both internal and external courses and conferences, was $740 per employee. This included:

- 59 people undertaking orientation
- 621 people undertaking various internal training courses and workshops
- 159 people participating in external courses
- 17 people undertaking formal tertiary study through a range of institutions.

In addition to these specific development initiatives opportunities also existed for employees to:

- participate in internal secondments
- act in higher and/or different roles
- become involved in specific projects.

During 2010/11 a comprehensive training programme was externally delivered to 13 Advisers and Customer Centre Managers to enable them to qualify as Accredited Financial Advisers in anticipation of the introduction of the Financial Advisers Act on 1 July 2011.

We continue to review exit interview results to gather relevant data, in sufficient volumes, to inform us what leads employees to a decision to leave Public Trust. This information is then used to inform improvements to our culture and employee engagement.

Flexibility and work design

We have continued to support flexible work hours and practices while balancing the business, health and safety requirements with the personal requests. We have 47 employees who have flexible practices – being either reduced hours, compressed or reduced weeks or a proportion of hours from home.

Remuneration, recognition and conditions

For the 2010/11 year, Public Trust ensured its remuneration system and policies were consistent for all employees.

Public Trust continued to run our transparent, consistent and gender neutral performance assessment system. Alongside our performance system we have procedures to reward and recognise employees for additional contributions they make. These fall into several major categories including high performer incentives and allowances as well as our non-monetary reward and recognition programme that reinforces our core values behaviour.

Harassment and bullying prevention

We continue to have a policy of zero tolerance to bullying and harassment.

Safe and healthy environment

The priority for our Health and Safety programme has been to ensure the safety of our employees in Christchurch.

There were four minor injuries as a result of the earthquakes and ongoing support is being provided to the 85 employees through this challenging time.

Our aim is to manage the impact on individuals and their families as they continue to work through the personal impacts of the earthquakes.

The Health, Safety and Wellness (HS&W) work plan was developed to sustain the ACC Workplace Safety Management Practices (WSMP) tertiary accreditation standard that was first met in June 2009. The programme of work included enhancing and maintaining site plans at all Public Trust workplaces to meet the tertiary level standard and to complete continuous improvement projects.

The elements of the HS&W programme include:

- leadership and visibility through Steering Committee, national HS&W committee and regional champions involving employee and management representatives
- implementation of the programme requirements by local managers and site coordinators in each location
- training for managers, employee representatives and site coordinators
- programme implementation and effectiveness reviews.

In May 2011, our Greenlane office was independently assessed to the standards set for the WSMP accreditation programme and a tertiary level assessment was achieved once again.

Sixty nine HS&W incidents were reported during the year, through the incident management and reporting programme. Ninety three per cent of these were assessed as being minor or moderate level incidents.

The most common hazards reported continue to relate to computer/workstations, customer behaviour, driving, filing and manual lifting/handling.

During the year a focus on employee wellness was enhanced through the introduction of the "Wellness Gateway", a programme that is externally provided by Synergy Health to encourage and inform employees on wellness initiatives.

Public Trust retained membership of the Business Leaders' Health and Safety Forum. This forum aims to improve, harness and focus safety leadership in New Zealand businesses. The forum's pledge provides a personal commitment of leaders to meet a goal of zero harm in workplaces.

financial information

Report on the *Statement of Intent*

For the year ended 30 June 2011

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

	2009/10 ACTUAL	2010/11 ACTUAL	2010/11 TARGET[1]	2011/12 TARGET[2]
Ownership perspective				
Profit (loss) post-tax ($000)	4,818	582	400	1,900
Return on equity[3]	n/a	2.8%	1.8%	7.9%
Distributions to Crown	Nil	Nil	Nil	Nil
Efficiency and effectiveness perspective				
Cost/revenue[4]	108.6%	97.0%	96.6%	97.4%
Capability perspective				
Employee engagement[5]	41%	39%	56%	50%
Customer and market perspective				
Market shares[6]				
– Wills	15.0%	14.0%	15.0%	15.1%
– Estates (probates)	13.9%	14.2%	14.5%	14.2%
Customer satisfaction[7]	7.0	8.1	8.2	7.8
Net promoter score[8]	n/a	23	18	18

1 Source: 2011/13 Statement of Intent.
2 Source: 2012/14 Statement of Intent.
3 Return on equity was not calculated for 2009/10 due to negative equity as at 30 June 2009. Return on equity is profit (loss) post tax divided by the average opening and closing equity. Profit (loss) does not include the movement in the cash flow hedging reserve.
4 Total expenses as a percentage of total revenues (excluding investment gains/losses). In 2010/11 the measure is total expenses (excluding change, restructuring and mortgage losses) as a percentage of revenue (excluding investment gains/losses).
5 Independent survey of employee engagement (2009 Global benchmark = 34%, New Zealand benchmark = 42%).
6 Independently conducted survey of market share.
7 Independently conducted survey of customer satisfaction (Range: 1 = poor, 10 = excellent).
8 The Net Promoter Score is derived from asking customers the question "Would you recommend Public Trust to friends and family." The score is the number of people who gave us 9 or 10 out of 10 (10 being positive), minus those who give you a score of 5 or less (being negative). The first Net promoter score was measured in September 2010.

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

	2009 ACTUAL $M	2010 ACTUAL $M	2011 ACTUAL $M
Fiduciary assets			
Funds under management			
Common Fund	1,086	883	869
Managed Funds	354	376	395
Assets under management	2,614	2,649	2,755
Funds under supervision	24,370	28,975	34,931

Statement of *Responsibility*

For the year ended 30 June 2011

The Board and management of Public Trust accept 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 Statement of Accounting Policies and the Notes to the Financial Statements.

The Board and management of Public Trust accept responsibility for establishing, and have established and maintain 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 and management of Public Trust, the financial statements and Statement of Service Performance for the year ended 30 June 2011 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Trevor D Janes
Chair

Robin Hill
Deputy Chair

Grenville Gaskell
Chief Executive

23 September 2011

Statement of *Financial Position*

As at 30 June 2011

	NOTES	GROUP ACTUAL 2011 $000	GROUP BUDGET 2011 $000	GROUP ACTUAL 2010 $000	PARENT ACTUAL 2011 $000	PARENT ACTUAL 2010 $000
Assets						
Cash and cash equivalents	1	25,714	10,000	26,526	25,675	26,505
Investment securities	2	656,994	561,841	625,692	656,994	625,692
Derivative financial instruments	3	2,181	2,500	2,385	2,181	2,385
Advances to clients		7,847	5,774	8,694	7,847	8,694
Trade receivables	4	6,140	4,500	5,051	5,544	4,401
Due from subsidiary	29	-	-	-	111	119
Advances secured by mortgage	5	194,791	254,928	241,448	194,791	241,448
Total financial assets		893,667	839,543	909,796	893,143	909,244
Sundry receivables	6	1,352	100	109	1,352	109
Prepayments		745	1,000	836	745	836
Current tax	7	227	726	726	227	726
Property, plant & equipment	8	8,657	10,052	6,666	8,657	6,666
Intangibles	9	3,082	2,941	3,015	577	510
Investments in subsidiaries	10	-	-	-	4,654	4,654
Total assets		**907,730**	**854,362**	**921,148**	**909,355**	**922,745**
Liabilities						
Liabilities to clients – at call or short term		460,629	365,400	436,231	460,629	436,231
Liabilities to clients – term deposits	12	408,031	446,600	445,807	408,031	445,807
Prepaid estate administration	13	592	700	675	592	675
Total liabilities to clients		869,252	812,700	882,713	869,252	882,713
Trade payables	14	3,820	2,100	2,528	3,730	2,427
Other payables	15	1,808	2,300	1,819	1,808	1,819
Derivative financial instruments	3	4,923	9,000	8,647	4,923	8,647
Prepaid income		245	350	288	-	-
Employee benefits	16	4,760	4,669	4,671	4,760	4,671
Provisions	17	1,255	550	387	1,247	379
Loan from subsidiary	29	-	-	-	6,900	6,315
Total liabilities		**886,063**	**831,669**	**901,053**	**892,620**	**906,971**
Equity						
Contributed equity		90,174	90,174	90,174	90,174	90,174
Cash flow hedging reserve		(1,892)	(1,273)	(2,882)	(1,892)	(2,882)
Retained earnings		(66,615)	(66,208)	(67,197)	(71,547)	(71,518)
Total equity	18	**21,667**	**22,693**	**20,095**	**16,735**	**15,774**
Total liabilities plus equity		**907,730**	**854,362**	**921,148**	**909,355**	**922,745**

For and on behalf of the Board, who authorised the issue of the financial statements on 23 September 2011.

Trevor D Janes
Chair

Robin Hill
Deputy Chair

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement.

Statement of *Changes in Equity*

For the year ended 30 June 2011

	NOTES	GROUP ACTUAL 2011 $000	GROUP BUDGET 2011 $000	GROUP ACTUAL 2010 $000	PARENT ACTUAL 2011 $000	PARENT ACTUAL 2010 $000
Opening balance		20,095	20,980	(16,998)	15,774	(20,708)
Owner transactions						
Contribution by the Crown	18	-	-	30,000	-	30,000
Comprehensive income						
Other comprehensive income – movement in cashflow hedging reserve		990	1,324	2,275	990	2,275
Profit (loss) after tax		582	389	4,818	(29)	4,207
Total comprehensive income		1,572	1,713	7,093	961	6,482
Equity at the end of the year	18	**21,667**	**22,693**	**20,095**	**16,735**	**15,774**

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement.

Statement of *Comprehensive Income*

For the year ended 30 June 2011

	NOTES	GROUP ACTUAL 2011 $000	GROUP BUDGET 2011 $000	GROUP ACTUAL 2010 $000	PARENT ACTUAL 2011 $000	PARENT ACTUAL 2010 $000
Revenue						
Revenue from financial instruments						
Interest from interest bearing securities		27,194	30,855	26,564	27,194	26,564
Interest from advances secured by mortgage		15,247	15,205	19,805	15,247	19,805
		42,441	46,060	46,369	42,441	46,369
Less: Interest expense		25,863	29,024	27,209	26,092	27,425
		16,578	17,036	19,160	16,349	18,944
Fees and commission revenue		41,103	41,703	39,881	38,549	37,315
Less: Fees and commission expense		1,733	1,350	1,576	1,544	1,418
Other revenue	30	1,500	210	178	3,006	1,721
Revenue from the Crown	29	4,500	4,500	4,254	4,500	4,254
Revenue before expenses	26	**61,948**	**62,099**	**61,897**	**60,860**	**60,816**
Expenses						
Employee benefits	26	40,775	40,940	40,857	40,775	40,857
Operating lease costs		5,248	4,600	4,668	5,248	4,668
Depreciation	8	1,811	2,400	1,984	1,811	1,984
Amortisation of intangibles	9	198	100	196	198	196
Net losses on disposals of property, plant & equipment and intangibles		406	-	26	406	26
Impairment losses on advances secured by mortgage	5	943	1,640	3,557	943	3,557
Other expenses	26	17,091	17,450	15,842	16,876	15,634
Total expenses		**66,472**	**67,130**	**67,130**	**66,257**	**66,922**
Net realised losses on financial instruments		(486)	-	(634)	(486)	(634)
Net unrealised gains on financial instruments		5,592	5,420	10,685	5,592	10,685
Net gains (losses) on financial instruments	26	5,106	5,420	10,051	5,106	10,051
Profit (loss) before tax for the year		**582**	**389**	**4,818**	**(291)**	**3,945**
Tax expense (benefit)	27	-	-	-	(262)	(262)
Profit (loss) after tax for the year		**582**	**389**	**4,818**	**(29)**	**4,207**
Other comprehensive income						
Movement in cash flow hedging reserve	18	990	1,324	2,275	990	2,275
Total comprehensive income for the year		**1,572**	**1,713**	**7,093**	**961**	**6,482**

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement.

Statement of *Cash Flows*

For the year ended 30 June 2011

	NOTES	GROUP ACTUAL 2011 $000	GROUP BUDGET 2011 $000	GROUP ACTUAL 2010 $000	PARENT ACTUAL 2011 $000	PARENT ACTUAL 2010 $000
Cash flows from operating activities						
Fees and other revenue		47,216	46,413	43,595	46,214	42,600
Interest revenue		42,128	46,060	47,254	42,128	47,257
Taxation		499	-	-	499	-
Payments to suppliers and employees		(63,803)	(63,454)	(62,746)	(63,387)	(62,348)
Interest expense		(25,200)	(29,024)	(30,656)	(25,429)	(30,872)
Net GST expense		(832)	(800)	(634)	(880)	(632)
Cash flows from operating activities before changes in trading investments		8	(805)	(3,187)	(855)	(3,995)
Net flows from trading investments		(788)	-	(158)	(788)	(158)
Net cash flows from operating activities	28	**(780)**	**(805)**	**(3,345)**	**(1,643)**	**(4,153)**
Cash flows from investing activities						
Net flows from non-trading investments		17,846	103,254	188,970	17,846	188,970
Sale of property, plant & equipment		1	-	1	1	1
Purchase of property, plant & equipment		(3,510)	(4,399)	(1,175)	(3,510)	(1,175)
Purchase of intangibles		(239)	-	(70)	(239)	(70)
Net cash flows from investing activities		**14,098**	**98,855**	**187,726**	**14,098**	**187,726**
Cash flows from financing activities						
Net receipts (payments) from clients		(14,130)	(98,050)	(199,447)	(13,285)	(198,643)
Contribution from the Crown		-	-	30,000	-	30,000
Net cash flows from financing activities		**(14,130)**	**(98,050)**	**(169,447)**	**(13,285)**	**(168,643)**
Net increase (decrease) in cash and cash equivalents		(812)	-	14,934	(830)	14,930
Cash and cash equivalents at beginning of the year		26,526	10,000	11,592	26,505	11,575
Cash and cash equivalents at the end of the year	1	**25,714**	**10,000**	**26,526**	**25,675**	**26,505**

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement.

Statement of *Commitments*

As at 30 June 2011

Commitments to be met by Public Trust are as follows:

Group & Parent	2011 $000	2010 $000
Payable within 1 year	4,889	5,236
Payable after 1 year and within 5 years	10,775	6,973
	15,664	**12,209**

Operating leases

The Group has sublet two properties (2010: two). The total minimum sublease payments expected to be received from the subleases is $255,000 (2010: $359,000). The income received during the year from sublet properties was $155,000 (2010: $159,000).

The Group's significant operating leases are for premises and motor vehicles.

The majority of premises leases have renewal terms with the rental reviewed on their review dates or on a two or three-year cycle. The average lease will expire within two years. Most leases allow subletting with the approval of the lessor.

Motor vehicle leases are for three-year terms. Lease payments for the fleet of motor vehicles are reviewed every year.

Other commitments

The Group has no commitments to purchase property, plant & equipment (2010: nil).

The Group has no commitments to purchase intangible IT assets (2010: nil).

The Group has no other non-cancellable commitments (2010: nil).

The Group, in connection with its mortgage lending activities, has commitments to a value of $13.9 million to provide funding under undrawn revolving credit facilities and approved but undrawn applications (2010: $12.1 million).

Statement of *Contingent Liabilities*

As at 30 June 2011

The Group has a contingent liability in relation to restructuring. Uncertainties remain around the likelihood and timing of a redundancy provision. The estimated potential liability is $141,300 (2010: $137,000).

Statement of *Accounting Policies*

For the year ended 30 June 2011

Reporting entity and statutory basis for reporting

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 comprises Public Trust and its subsidiaries (the Group).

Public Trust is a Crown Entity for the purposes of the Crown Entities Act 2004 and an issuer for the purpose of the Financial Reporting Act 1993. In accordance with the requirements of these statutes, Public Trust prepares separate financial statements and consolidated financial statements for the Group that comply with generally accepted accounting practice as defined by the Financial Reporting Act 1993.

The activities and assets of Group Investment Funds managed by Public Trust are not included except for cash balances held in the Common Fund, and to the extent that Public Trust invests in those funds on its own account. Similarly the assets managed for individual trusts, except for liabilities to clients held in the Common Fund, are not included. These entities are not consolidated either within Public Trust's financial statements or those of the consolidated Group as neither Public Trust nor the Group controls these funds and trusts so as to obtain ownership benefits.

The financial statements, for the year ended 30 June 2011, 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.

Measurement basis

Historical cost and fair value accounting measurement bases are applied in the preparation of these financial statements.

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.

Accounting Policies

Basis of consolidation

The consolidated financial statements include Public Trust together with its subsidiaries. Consolidation entails a line-by-line aggregation of the individual entity financial statements and the elimination of intra-group balances and transactions including unrealised gains and losses.

The financial statements of all subsidiaries are prepared for the same reporting year as those for Public Trust. Accounting policies used are consistent across all entities in the Group.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain ownership benefits from their activities.

The purchase method of accounting is used to account for the acquisition (prior to 1 July 2009) of subsidiaries in a business combination. There was no acquisition of subsidiaries after this date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The current carrying value of goodwill includes any post-acquisition impairment losses recognised in profit or loss.

Financial instruments

At 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.

Statement of *Accounting Policies (continued)*

For the year ended 30 June 2011

Recognition and derecognition of financial instruments

All financial instrument purchases and disposals are accounted for on a trade date basis.

Financial instruments 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.

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 through 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 re-sale 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 comprise:

- investment in interest bearing securities; and
- derivatives.

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.

After initial recognition, financial assets at fair value through profit or loss are carried at their fair value.

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 from an independent third party using a valuation technique. The valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs and includes the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Gains and losses on these financial instruments arise where their fair value at initial recognition differs from their subsequent fair value measurement. All such gains and losses, including those arising upon sale, derecognition and foreign currency translation, are recognised in profit or loss, except for those in relation to derivatives that qualify for cash flow hedge accounting, which are recognised in an equity reserve within other comprehensive income.

For interest bearing securities and interest related derivatives, subsequent measurement is carried out in a two-stage process. Firstly, the amortised cost of the instrument is calculated in accordance with the effective interest rate method. This gives rise to interest revenue or expense as the case may be. The amortised cost value is then compared to the fair value as computed and the difference is recorded as an unrealised gain or loss.

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 including interest rate swaps and forward rate agreements are entered into by the Group for risk management purposes or for trading purposes.

Those derivative financial instruments entered into for risk management purposes are where the instruments are used to hedge exposures to interest rate risk, currency risk, price risk, credit risk and other exposures related to non-trading positions. Some of these hedged exposures qualify for hedge accounting.

Derivative financial instruments entered into for trading purposes are acquired and managed in accordance with a defined investment mandate.

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

Where derivatives form part of an effective hedge relationship, these derivatives 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.

After initial recognition, gains and losses from subsequent re-measurement to fair value are recognised in the profit or loss, except where the derivatives are designated and effective as hedge accounting instruments. Hedge accounting instruments are accounted for as set out below.

Where the instrument is recognised in profit or loss, that component of the change in fair value that relates to interest received or accrued in the current year is included in net interest revenue. The remainder is included in unrealised gains (losses) on financial instruments.

The proceeds from the realisation of interest rate swaps held for trading and economically hedged are split between capital value and accrued interest and recognised in realised gains (losses) and interest revenue respectively.

Derivatives designated as hedging instruments – cash flow hedges
Derivatives, 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 the derivatives are recognised in other comprehensive income (the cash flow hedging reserve). Any ineffective portion is recognised in profit or loss.

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

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

Derivatives designated as hedging instruments – fair value hedges
Derivatives, whose purpose is to match the changes in fair value of long-dated term deposits as interest rates change, are designated as fair value hedges. To the extent that individual hedges are effective at inception and remain so, changes in the fair value of the derivatives, together with any changes in fair value of the relevant (hedged) risk of the term deposits are recognised in profit or loss.

When the hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Group elects to revoke the hedge designation, the resulting adjustment to the carrying amount of the hedged item is amortised to 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;
- investment securities;
- advances to clients;
- trade receivables;
- due from subsidiary (Parent financial statements); and
- advances secured by mortgage.

Loans and receivables are initially recognised at their fair value. After initial recognition, loans and receivables are carried at their amortised cost in accordance with the effective interest rate method.

Gains and losses on these financial instruments arise on sale, derecognition or impairment and are recognised in profit or loss. Any interest revenue arising on loans and receivables is recognised in profit or loss in accordance with the associated effective interest rate.

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

An impairment loss is recognised when there is objective evidence that future cash flows from the instrument will decline from the previous expected levels. The amount of any impairment is measured as the difference between the instrument's carrying value and the present value of the re-estimated cash flows, discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss with a corresponding reduction in the carrying value of the financial instrument through an impairment allowance account.

Statement of *Accounting Policies (continued)*

For the year ended 30 June 2011

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank (including any overdraft) and money market deposits on call with an original maturity of three months or less. Cash and cash equivalents are recognised at their cash settlement value.

Investment securities

There are some investment securities in interest bearing securities 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 which the Crown pays the Group to deliver.

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.

Advances secured by mortgage

Advances secured by mortgage are initially recognised at cost including origination fees, plus any transaction costs that are directly attributable to the issue of the advance. Advances secured by mortgage including origination fees and transaction costs are subsequently 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.

Advances secured by mortgage – impairment

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 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.

For the purposes of a collective evaluation of impairment, advances secured by mortgage excluding those where an individual impairment allowance has been provided are grouped together on the basis of similar risk characteristics.

Future cash flows of the group are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Any collective impairment loss is recognised in profit or loss with a corresponding reduction in the carrying value of the financial instrument through a collective impairment allowance account.

Financial liabilities at fair value through profit or loss

Liabilities at fair value through profit or loss comprise solely those derivatives 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 deposits – subject to fair value hedges

Term deposits 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. The fair value change is recognised in profit or loss.

Other financial liabilities

Other financial liabilities comprise all financial liabilities other than term deposits subject to fair value hedge accounting and derivatives in a loss position.

Statement of *Accounting Policies (continued)*

For the year ended 30 June 2011

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

After 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 reporting date, foreign currency monetary assets and liabilities other than those reported at fair value through profit or loss, 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.

Foreign currency investment assets
Investments in foreign currencies are carried at fair value. Changes in the fair value of these investments, including exchange differences, are recognised in profit or loss.

Property, plant & equipment

Property, plant & equipment is initially recognised at the cost necessary to bring each item to the working condition intended by management. Until the assets are in a workable condition, costs are accumulated as capital work in progress. Once the asset is capable of operation, the cost, less the asset's estimated residual value, is depreciated over its useful life using the straight-line method.

The useful lives of major depreciable asset categories are as follows:

Plant, furniture and fittings	3-10 years
Information technology (IT) equipment and operating software	3-5 years

In cases of fixtures and fittings installed in leasehold properties, useful lives are considered to correspond to the estimated occupancy period based on the contractual terms of the relevant lease.

A review of property, plant & equipment is undertaken at each financial year-end to ensure the estimates of useful life, depreciation method and residual value remain relevant.

Computer software that is deemed integral to the operation of associated hardware is classified as property, plant & equipment; otherwise it is classified as an intangible asset.

Impairment
Items of property, plant & equipment are subject to review for impairment at each financial year-end.

After initial recognition, items of property, plant & equipment are carried at their cost less any accumulated depreciation and any accumulated impairment losses. Any impairment losses are expensed in profit or loss.

Intangible assets

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

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

Goodwill
Goodwill arising from the purchase of a business is recognised in the Group's 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.

Goodwill impairment
Goodwill is subject to an annual recoverable amount impairment test. Any impairment is expensed to profit or loss as a permanent reduction in the carrying value.

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

Statement of *Accounting Policies (continued)*

For the year ended 30 June 2011

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.

Both the estimated useful life and the amortisation method are reviewed annually to ensure these remain appropriate.

Intangible IT assets impairment

Intangible IT assets that are under development and have yet to achieve functionality are subject to an annual recoverable amount impairment test. Any excess of the asset's carrying amount over its recoverable amount is expensed to profit or loss.

Intangible IT assets, other than those under development, are subject to annual review for impairment. Any impairment losses are expensed in the profit or loss.

Parent investment in subsidiary

In the Parent's financial statements, investment in subsidiary is accounted for by the cost method. Under this method the cost of an acquired subsidiary is measured as the fair value of the assets given in exchange at the date of acquisition, plus costs directly attributable to the acquisition, subject to the concession to allow the acquisition to be carried at the deemed cost at the date of transition to NZ IFRS.

After acquisition, the investment in subsidiary is subject to annual review for impairment.

Upon receipt of dividend payments from the subsidiary, the Parent will assess whether any indicators of impairment to the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value exceeds its recoverable amount, an impairment is recognised.

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 client. The liability to these clients 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 balance sheet 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 balance sheet date.

Provisions

Restructuring

The restructuring provision relates 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 reporting date. This provision is carried at the estimated amount of cash necessary to settle the obligation.

Vacant space

The vacant space provision represents gross rentals payable on premises no longer used for operational purposes, less an estimate of value of the right to occupy, discounted at the risk-free rate.

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 alleged or other contractual dispute has arisen, including some matters that may take a number of years to resolve.

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 a 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.

Expense

The expense relating to any provision is recognised in profit or loss net of any expected reimbursement and separately from any interest expense arising from the discounting of provision obligations.

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.

Statement of *Accounting Policies (continued)*

For the year ended 30 June 2011

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.

Comparatives

The following comparatives have been restated to align with the current period's presentation.

Derivative financial instruments

The proceeds from the realisation of interest rate swaps held for trading and economically hedged are split between capital value and accrued interest and recognised in realised gains/losses and interest revenue respectively. Previously all the proceeds were recognised in realised gains/losses. The comparatives in the Statement of Comprehensive Income and Note 26 have been restated.

Advances secured by mortgage – interest

Origination fees and subsequent amortisation are recognised in interest from advances secured by mortgage. Previously this was recognised in fees and commission revenue. The comparatives in the Statement of Comprehensive Income and Note 26 have been restated.

Fair Value hierarchy

During the preparation of the current year financial statements we have reassessed the allocation of investment securities to the three fair value hierarchy levels.

This reassessment resulted in a number of investments being reclassified from levels previously assigned in the prior year financial statements. As a result we have restated the comparatives in Note 24 to reflect these reclassifications.

Changes in accounting policies

There have been no changes in accounting policies except for the initial application of new standards, amendments to standards or interpretations. Where there are changes, the accounting policies have been consistently applied throughout the periods in the financial statements.

The following amendments to standards have been adopted early:

NZ IAS 1 *Presentation of Financial Statements (amendments 2010):* effective for annual periods beginning on or after 1 January 2011. The amendment permits disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income to be presented in the Statement of Changes in Equity or in the notes. Public Trust and the Group have chosen to disclose this in the notes.

NZ IAS 24 *Related Party Disclosures (revised 2009):* effective for annual periods beginning on or after 1 January 2011. The amendments simplify the definition of a related party, clarifying its intended meaning, eliminating inconsistencies from the definition and provide a partial exemption from the disclosure requirements for government-related entities.

Application of accounting standards

The following new standards have been issued but not yet effective for the year ended 30 June 2011, and have not been applied in preparing these financial statements:

NZ IFRS 7 *Financial Instruments: Disclosures (amendments 2010):* effective for annual periods beginning on or after 1 July 2011. This amendment will initially be applied in the financial statements for the year ending 30 June 2012. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

NZ IFRS 9 (2009) *Financial Instruments:* effective for annual periods beginning on or after 1 January 2013.

This standard will initially be applied in the financial statements for the year ending 30 June 2014. The standard includes requirements for the classification and measurement of financial assets which improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39.

NZ IFRS 9 (2010) *Financial Instruments:* effective for annual periods beginning on or after 1 January 2013. This standard will initially be applied in the financial statements for the year ending 30 June 2014. The requirements for classifying and measuring financial liabilities were added to the standard as issued in 2009. The existing NZ IAS 39 requirements for the classification of financial liabilities and the ability to use the fair value option have been retained.

NZ IFRS 10 *Consolidated Financial Statements:* effective for annual periods beginning on or after 1 January 2013. This standard will initially be applied in the financial statements for the year ending 30 June 2014. This standard establishes a new control model. The new control model broadens the situations when an entity is considered to control another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

NZ IFRS 12 *Disclosure of Interests in Other Entities:* effective for annual periods beginning on or after 1 January 2013. This standard will initially be applied in the financial statements for the year ending 30 June 2014. This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests

NZ IFRS 13 *Fair Value Measurement:* effective for annual periods beginning on or after 1 January 2013. This standard will initially be applied in the financial statements for the year ending 30 June 2014. This standard establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. It does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. Application of this guidance may result in different fair values being determined for the relevant assets. The standard also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The adoption of the above standards in future periods is likely to impact recognition, measurement and disclosures. Public Trust will be undertaking work to quantify the financial impact of these new standards.

Use of judgements and estimates

The presentation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant management judgements, estimates and assumptions are disclosed under the applicable Notes to the Financial Statements.

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.

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.

Notes to the *Financial Statements*

For the year ended 30 June 2011

1 Cash and cash equivalents

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Cash and bank	6,326	16,268	6,287	16,247
Money market deposit at call	19,388	10,258	19,388	10,258
	25,714	**26,526**	**25,675**	**26,505**

2 Investment securities

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Designated at fair value through profit or loss				
Interest bearing securities				
Local authorities	46,396	80,089	46,396	80,089
Banks	55,941	120,697	55,941	120,697
State owned enterprises	-	8,057	-	8,057
Crown entities	-	4,126	-	4,126
Mortgage backed securities	45,937	72,268	45,937	72,268
Corporates	128,024	152,335	128,024	152,335
	276,298	437,572	276,298	437,572
Loans and receivables				
Interest bearing securities				
State owned enterprises	110,441	126,993	110,441	126,993
Banks	270,255	61,127	270,255	61,127
	656,994	**625,692**	**656,994**	**625,692**

For significant judgements, estimates and assumptions applied, refer to Note 20 Interest rate risk, Note 24 Fair value and Note 25 Other price risk.

3 Derivative financial instruments

	NOTES	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Assets					
Interest rate swaps					
Held for trading		-	35	-	35
Cash flow hedge accounted		8	2	8	2
Fair value hedge accounted		2,168	2,317	2,168	2,317
Forward rate agreements – held for trading		5	31	5	31
	23	**2,181**	**2,385**	**2,181**	**2,385**
Liabilities					
Interest rate swaps					
Held for trading		816	209	816	209
Economically hedged		3,191	6,940	3,191	6,940
Cash flow hedge accounted		809	1,485	809	1,485
Forward rate agreements – held for trading		107	13	107	13
	23	**4,923**	**8,647**	**4,923**	**8,647**

4 Trade receivables

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Accrued interest	1	-	1	-
Crown	1	413	1	413
Receivables of uncertain timing	3,056	2,697	3,056	2,697
Less: Collective impairment allowance (see below)	(157)	(124)	(157)	(124)
Investment securities awaiting settlement	822	-	822	-
Fees receivable and accrued	2,119	2,063	1,523	1,413
Other	298	2	298	2
	6,140	**5,051**	**5,544**	**4,401**
Collective impairment allowance				
Opening balance	(124)	(80)	(124)	(80)
Charge for the year	(33)	(44)	(33)	(44)
Closing balance	**(157)**	**(124)**	**(157)**	**(124)**

Receivables of uncertain timing

Collection is dependent on the occurrence of a specified future event. Where the receivable originates from an estate with a life tenant, payment will be received upon the death of that life tenant.

The future cash flows have been discounted using the prevailing New Zealand Government Bond yield rates at balance date. Future cash flows beyond 10 years have been discounted using the 10 year rate. Where collection is expected within 12 months of balance date, no discounting is applied.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

5 Advances secured by mortgage

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Gross value	204,719	256,595	204,719	256,595
Less: Individual impairment allowance	(6,848)	(11,183)	(6,848)	(11,183)
Less: Collective impairment allowance	(3,080)	(3,964)	(3,080)	(3,964)
	194,791	**241,448**	**194,791**	**241,448**
Individual impairment allowance				
Opening balance	(11,183)	(14,544)	(11,183)	(14,544)
Charge for the year	(3,610)	(5,366)	(3,610)	(5,366)
Bad debts written off	6,032	7,232	6,032	7,232
Unused allowance reversed	1,913	1,532	1,913	1,532
Interest accrued on impaired advances	-	(37)	-	(37)
Closing balance	**(6,848)**	**(11,183)**	**(6,848)**	**(11,183)**
Collective impairment allowance				
Opening balance	(3,964)	(4,418)	(3,964)	(4,418)
Unused allowance reversed	884	454	884	454
Closing balance	**(3,080)**	**(3,964)**	**(3,080)**	**(3,964)**

For significant judgements, estimates and assumptions applied, refer to Note 20 Interest rate risk and Note 22 Credit risk.

6 Sundry receivables

	NOTES	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Insurance	30	1,260	-	1,260	-
Fringe benefit tax		-	34	-	34
Resident withholding tax		5	4	5	4
Other		87	71	87	71
		1,352	**109**	**1,352**	**109**

7 Current tax

	NOTES	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Opening balance		726	670	726	670
Use of money interest		-	56	-	56
Tax expense through profit or loss		-	-	-	-
Tax expense through cash flow hedging reserve (other comprehensive income)	18	-	-	-	-
Cash paid (received)		(499)	-	(499)	-
Closing balance		**227**	**726**	**227**	**726**

Refer to Note 27 for the tax expense (benefit) reconciliation.

8 Property, plant & equipment

Group & Parent	PLANT, FURNITURE AND FITTINGS 2011 $000	IT EQUIPMENT AND OPERATING SOFTWARE 2011 $000	CAPITAL WORK IN PROGRESS 2011 $000	TOTAL 2011 $000
Cost				
Opening balance	15,299	6,364	3	21,666
Additions	600	1,366	3,475	5,441
Transfer to intangible assets	-	(32)	-	(32)
Disposals	(2,815)	(2,030)	(1,200)	(6,045)
Closing balance	13,084	5,668	2,278	21,030
Depreciation				
Opening balance	(10,067)	(4,933)	-	(15,000)
Depreciation for the year	(986)	(825)	-	(1,811)
Disposals	2,432	2,006	-	4,438
Closing balance	(8,621)	(3,752)	-	(12,373)
Carrying value of property, plant & equipment	**4,463**	**1,916**	**2,278**	**8,657**

Group & Parent	PLANT, FURNITURE AND FITTINGS 2010 $000	IT EQUIPMENT AND OPERATING SOFTWARE 2010 $000	CAPITAL WORK IN PROGRESS 2010 $000	TOTAL 2010 $000
Cost				
Opening balance	15,098	5,727	168	20,993
Additions	551	637	103	1,291
Transfer between classes	-	-	(268)	(268)
Disposals	(350)	-	-	(350)
Closing balance	15,299	6,364	3	21,666
Depreciation				
Opening balance	(9,239)	(4,102)	-	(13,341)
Depreciation for the year	(1,153)	(831)	-	(1,984)
Disposals	325	-	-	325
Closing balance	(10,067)	(4,933)	-	(15,000)
Carrying value of property, plant & equipment	**5,232**	**1,431**	**3**	**6,666**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

9 Intangibles

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Intangible IT assets				
Cost				
Opening balance	8,677	8,607	8,677	8,607
Additions	420	70	420	70
Transfer from property, plant and equipment	32	-	32	-
Disposals	(261)	-	(261)	-
Closing balance	8,868	8,677	8,868	8,677
Amortisation				
Opening balance	(8,167)	(7,971)	(8,167)	(7,971)
Amortisation for the year	(198)	(196)	(198)	(196)
Disposals	74	-	74	-
Closing balance	(8,291)	(8,167)	(8,291)	(8,167)
Goodwill arising on acquisition				
Cost				
Opening balance	2,505	2,505		
Addition	-	-		
Closing balance	2,505	2,505		
Impairment losses				
Opening balance	-	-		
Impairment losses	-	-		
Closing balance	-	-		
Carrying value of intangibles	**3,082**	**3,015**	**577**	**510**

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. The amount of goodwill allocated to Corporate Trustee Services equates to 100% of the Group's total carrying amount of goodwill.

Goodwill for Corporate Trustee Services was tested during the year with key judgements and assumptions as follows:

- The recoverable amount of the CGU was calculated on the basis of value in use, using a discounted cash flows model and the resultant gross value allocated to the various physical and intangible assets.
- Future cash flows were projected out five years, based on the previous years' actual results and approved business plans for the year ending 30 June 2012, with key assumptions being funds under supervision, and operating costs.
- Fee revenue was assumed to remain consistent with the 2011 fee revenue adjusted for changes in funds under supervision over the projection 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 assumed.
- A pre-tax discount rate of 17.2% (2010: 14.7%) was applied to compute present value. A further reduction of 20% was then applied as a prudential margin to reflect other risks such as liquidity risk.

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.

10 Investments in subsidiaries

	COUNTRY OF INCORPORATION	PERCENT HELD 2011	PERCENT HELD 2010
New Zealand Permanent Trustees Limited	New Zealand	100%	100%
Plan for Life Limited[1]	New Zealand	100%	100%
Public Trust Charitable Holdings Nominee Limited[1]	New Zealand	100%	100%
Public Trust Limited[1]	New Zealand	100%	100%
Specialist Trustee Services Limited[1]	New Zealand	100%	100%
Accordia Nominees Limited[3]	New Zealand	100%	100%
Capital Nominees Limited[3]	New Zealand	100%	100%
FXNL Nominees Limited[3]	New Zealand	100%	100%
Group U Nominees Limited[2]	New Zealand	100%	100%
Integral Nominees Limited[3]	New Zealand	100%	-
IIS Nominees Limited[3]	New Zealand	100%	-
Lancashire Limited[3]	New Zealand	100%	100%
Masterportfolio Nominees Limited[3]	New Zealand	100%	100%
Mint Nominees Limited[2]	New Zealand	100%	100%
Moorhouse Central Limited[3]	New Zealand	100%	100%
Newburg Nominees Limited[3]	New Zealand	100%	100%
Newcliff Limited[3]	New Zealand	100%	100%
New Zealand Rural Property Trust Nominees Limited[3]	New Zealand	100%	100%
NZPT Custodians (Grosvenor) Limited[2]	New Zealand	100%	100%
NZPT Custodians Limited[2]	New Zealand	100%	100%
NZPT (Queenstown) Asset Trust Security Trustee Limited[2]	New Zealand	100%	100%
NZPT (Queenstown) Security Trustee Limited[2]	New Zealand	100%	100%
NZPT Marac ABCP Security Trustee Limited[2]	New Zealand	100%	100%
Pathfinder Nominees Limited[3]	New Zealand	100%	100%
Permanent Nominees Limited[3]	New Zealand	100%	100%
Perpetual Asset Management Nominees Limited[3]	New Zealand	100%	100%
Plato Nominees Limited[3]	New Zealand	100%	100%
PM Capital NZ Nominees Limited[3]	New Zealand	100%	100%
Portfolio Nominees Limited[3]	New Zealand	100%	100%
Proteus Limited[3]	New Zealand	100%	100%
Public Nominees Limited[3]	New Zealand	100%	100%
Public Trust Aoraki Nominees Limited[3]	New Zealand	100%	-
Sirius Wealth Management Nominees Limited[2]	New Zealand	100%	100%
SRF Nominees Limited[3]	New Zealand	100%	-
Tepler Nominees Limited[2]	New Zealand	100%	100%
Tyndall Investment Nominees Limited[3]	New Zealand	100%	-
Windley Nominees Limited[3]	New Zealand	100%	100%

1 These entities are non-trading and have no assets and liabilities.

2 These entities are subsidiaries held by New Zealand Permanent Trustees Limited (NZPT). NZPT (Infiniti) Asset Trust Security Trustee Limited and NZPT (Infiniti) Security Trustee Limited changed names to NZPT (Queenstown) Asset Trust Security Trustee Limited and NZPT (Queenstown) Security Trustee Limited respectively.

2 & 3 These entities are nominee companies established to undertake business on behalf of Corporate Trustee clients. They are consolidated in the Group's financial statements. As the assets and liabilities are held under trust there is no impact on the Group's financial position.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

11 Deferred tax asset

Recognised deferred tax assets and liabilities are attributable to the following:

Group	STATEMENT OF FINANCIAL POSITION 2011 $000	STATEMENT OF FINANCIAL POSITION 2010 $000	PROFIT OR LOSS 2011 $000	PROFIT OR LOSS 2010 $000
Deferred tax assets				
Receivables of uncertain timing	392	366	50	29
Individual impairment allowance for advances secured by mortgage	1,918	3,355	(1,214)	(1,009)
Collective impairment allowance for advances secured by mortgage	862	1,189	(248)	(136)
Other trade payables	43	47	(1)	(1)
Employee benefits	1,394	1,463	29	40
Remedial work and litigation provision	32	42	(8)	(128)
Vacant space provision	256	10	246	(5)
Property, plant & equipment and intangibles	448	119	337	47
Prepaid estate administration	18	18	2	(7)
	5,363	6,609	(807)	(1,170)
Deferred tax liabilities				
Expected reimbursements	-	-	-	26
	-	-	-	26
Recognised in profit or loss			**(807)**	**(1,144)**
Unrelieved losses	18,212	17,325		
Net deferred tax asset	**23,575**	**23,934**		
Net deferred tax asset not allowed for	**(23,575)**	**(23,934)**		
Net deferred tax asset recognised	-	-		
Net deferred tax asset				
Opening balance	23,934	26,918		
Recognised in profit or loss	(892)	(460)		
Recognised in cash flow hedging reserve (other comprehensive income)	(295)	(682)		
Future income tax benefit	1,090	395		
Utilisation of losses	(262)	(2,237)		
Closing balance	**23,575**	**23,934**		
Net deferred tax asset not allowed for				
Opening balance	(23,934)	(26,918)		
Recognised in profit or loss	892	460		
Recognised in cash flow hedging reserve (other comprehensive income)	295	682		
Future income tax benefit	(1,090)	(395)		
Release of utilised loss	262	2,237		
Closing balance	**(23,575)**	**(23,934)**		

11 Deferred tax asset (continued)

Parent	STATEMENT OF FINANCIAL POSITION 2011 $000	STATEMENT OF FINANCIAL POSITION 2010 $000	PROFIT OR LOSS 2011 $000	PROFIT OR LOSS 2010 $000
Deferred tax assets				
Receivables of uncertain timing	392	366	50	29
Individual impairment allowance for advances secured by mortgage	1,918	3,355	(1,214)	(1,009)
Collective impairment allowance for advances secured by mortgage	862	1,189	(248)	(136)
Other trade payables	43	47	(1)	(1)
Employee benefits	1,394	1,463	29	40
Remedial work and litigation provision	32	42	(8)	(128)
Vacant space provision	256	10	246	(5)
Property, plant & equipment and intangibles	448	119	337	47
Prepaid estate administration	18	18	2	(7)
	5,363	6,609	(807)	(1,170)
Deferred tax liabilities				
Expected reimbursements	-	-	-	26
	-	-	-	26
Recognised in profit or loss			**(807)**	**(1,144)**
Unrelieved losses	18,212	17,325		
Net deferred tax asset	**23,575**	**23,934**		
Net deferred tax asset not allowed for	**(23,575)**	**(23,934)**		
Net deferred tax asset recognised	-	-		
Net deferred tax asset				
Opening balance	23,934	26,918		
Recognised in profit or loss	(892)	(460)		
Recognised in cash flow hedging reserve (other comprehensive income)	(295)	(682)		
Future income tax benefit	1,090	395		
Utilisation of losses	-	(1,975)		
Subsidiary's loss relief	(262)	(262)		
Closing balance	**23,575**	**23,934**		
Net deferred tax asset not allowed for				
Opening balance	(23,934)	(26,918)		
Recognised in profit or loss	892	460		
Recognised in cash flow hedging reserve (other comprehensive income)	295	682		
Future income tax benefit	(1,090)	(395)		
Release of utilised loss	-	1,975		
Release of utilised loss – transferred to subsidiary	262	262		
Closing balance	**(23,575)**	**(23,934)**		

11 Deferred tax asset (continued)

The deferred tax assets and liabilities will when crystallised, be settled in the same jurisdiction and therefore settled net. It is appropriate therefore, to present these balances settled off against one another.

The Group's planning horizon extends for a period of five years and is based on the Business Plan approved by the Board. Probable future profits is taken to mean the expected future profits that can be reasonably forecast within that planning horizon. The Group reassess unrecognised deferred tax assets annually. At balance date, continuing uncertainty in financial markets means there is insufficient certainty in the timing of the recovery of previously unrealised investment losses to justify carrying a deferred tax asset (2010: nil).

12 Liabilities to clients – term deposits

	NOTES	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Term deposits		363,262	412,529	363,262	412,529
Term deposits subject to hedging		42,554	31,047	42,554	31,047
Fair value adjustment for term deposits subject to hedging		2,215	2,231	2,215	2,231
	24	**408,031**	**445,807**	**408,031**	**445,807**

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 inflation rate used in the estimation of the liability is consistent with the annual CPI inflation rate. This was 2.5% as at 30 June 2011 (2010: 2.2%). The estimated future cash flows are discounted at the lowest point on the New Zealand Government Bond yield curve of 5.2% at 30 June 2011 (2010: 5.3%).

14 Trade payables

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Trade creditors and accrued expenses	2,834	2,218	2,744	2,117
Capital creditors	805	85	805	85
Other	181	225	181	225
	3,820	**2,528**	**3,730**	**2,427**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

15 Other payables

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Withholding taxes payable	424	447	424	447
Fringe benefit tax	34	-	34	-
Goods and services tax	2	106	2	106
Lease incentives	70	103	70	103
Employees and employees related	1,251	1,163	1,251	1,163
Other	27	-	27	-
	1,808	**1,819**	**1,808**	**1,819**

16 Employee benefits

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Annual leave	1,426	1,332	1,426	1,332
Sick leave	89	59	89	59
Long-service leave	2,655	2,734	2,655	2,734
Performance incentive payments	590	546	590	546
	4,760	**4,671**	**4,760**	**4,671**

The long-service leave assumed a salary increase of 2.8% (2010: 2.8%). A 1% increase in salary would increase the provision by $196,000 (2010: $198,000).

17 Provisions

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Restructuring				
Opening balance	204	341	204	341
Additions	546	1,400	546	1,400
Amount applied	(347)	(1,537)	(347)	(1,537)
Reversal of provision not used	(184)	-	(184)	-
Closing balance	**219**	**204**	**219**	**204**
Remedial work and litigation				
Opening balance	149	637	141	567
Additions	144	323	144	288
Amount applied	(101)	(734)	(101)	(637)
Reversal of provision not used	(71)	(77)	(71)	(77)
Closing balance	**121**	**149**	**113**	**141**
Vacant space				
Opening balance	34	50	34	50
Additions	968	10	968	10
Amount applied	(34)	(27)	(34)	(27)
Discount	(53)	1	(53)	1
Closing balance	**915**	**34**	**915**	**34**
Total	**1,255**	**387**	**1,247**	**379**

Restructuring

The restructuring provision relates primarily to the termination of employment. 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.

No insurance reimbursements expected upon the final resolution of some of these matters have been recognised within sundry receivables (2010: nil).

Vacant space

The vacant space provision recognises the cost of leases of surplus premises through to the conclusion of the leases. Public Trust relocated three premises during the year, prior to the expiration of the relevant leases, as discussed in Note 30 Effects of the Canterbury Earthquakes. The future estimated cash flows are discounted at an appropriate point on the New Zealand Government stock yield curve of 3.8% at 30 June 2011. (2010: 3.7%)

The future minimum payments (undiscounted) until final maturity date are disclosed in the Statement of Commitments.

18 Equity

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Contributed equity				
Opening balance	90,174	60,174	90,174	60,174
Contribution by the Crown	-	30,000	-	30,000
Closing balance	**90,174**	**90,174**	**90,174**	**90,174**
Retained earnings				
Opening balance	(67,197)	(72,015)	(71,518)	(75,725)
Profit (loss) after tax	582	4,818	(29)	4,207
Closing balance	**(66,615)**	**(67,197)**	**(71,547)**	**(71,518)**
Cash flow hedging reserve				
Opening balance	(2,882)	(5,157)	(2,882)	(5,157)
Net gains (losses) from changes in fair value	615	2,174	615	2,174
Less: Tax effect of above movement	-	-	-	-
Transferred to profit or loss	375	101	375	101
Less: Tax effect of above movement	-	-	-	-
Closing balance	**(1,892)**	**(2,882)**	**(1,892)**	**(2,882)**
Equity at the end of the year	**21,667**	**20,095**	**16,735**	**15,774**

Capital management

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

- protect the interests of depositors and creditors;
- protect the interest 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 and 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.

18 Equity (continued)

The Group, as a deposit taker, is subject to the requirements of the Non-Bank Deposit Taker (NBDT) regime. The prudential requirements with regard to capital have been developed and prescribe a minimum capital ratio of 8% for NBDTs with a credit rating from an approved credit rating agency. The Reserve Bank of New Zealand granted the Group a temporary exemption from capital ratio requirements, effective 1 December 2010. The exemption is subject to the condition that the Group must maintain a minimum capital ratio that is:

- not less than 2.5% until 1 December 2012;
- not less than 3.5% from 1 December 2012 to 1 December 2013; and
- not less than 8% from 1 December 2013.

The Group's capital ratio at 30 June 2011 is 4.1% placing it 1.6% above its minimum capital requirement.

The actual position in terms of the proposed prudential capital requirements of the NBDT regime, (and the Group's specific exemption) is reviewed monthly by management and the Board.

The Group's working capital is invested in accordance with the investment policy of the Common Fund.

There has been no material change in the Group's management of capital from the prior year.

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 part of interest from interest bearing securities.

The ineffective portion in fair value of cash flow hedges recognised in net unrealised gains/losses on financial instruments within the profit or loss is $4,636 loss (2010: $6,000 loss).

19 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 23 Liquidity risk.

Group	STATEMENT OF FINANCIAL POSITION 2011 $000	LESS THAN 12 MONTHS 2011 $000	GREATER THAN 12 MONTHS 2011 $000	STATEMENT OF FINANCIAL POSITION 2010 $000	LESS THAN 12 MONTHS 2010 $000	GREATER THAN 12 MONTHS 2010 $000
Assets						
Cash and cash equivalents	25,714	25,714	-	26,526	26,526	-
Investment securities	656,994	493,460	163,534	625,692	350,020	275,672
Derivative financial instruments	2,181	190	1,991	2,385	287	2,098
Advances to clients	7,847	7,226	621	8,694	7,840	854
Trade receivables	6,140	4,080	2,060	5,051	3,158	1,893
Advances secured by mortgage	194,791	45,883	148,908	241,448	57,256	184,192
Total financial assets	**893,667**	**576,553**	**317,114**	**909,796**	**445,087**	**464,709**
Sundry receivables	1,352	1,352	-	109	109	-
Prepayments	745	726	19	836	791	45
Current tax	227	227	-	726	726	-
Property, plant & equipment	8,657	-	8,657	6,666	-	6,666
Intangibles	3,082	-	3,082	3,015	-	3,015
Total assets	**907,730**	**578,858**	**328,872**	**921,148**	**446,713**	**474,435**
Liabilities						
Liabilities to clients – at call or short term	460,629	460,629	-	436,231	436,231	-
Liabilities to clients – term deposits	408,031	343,320	64,711	445,807	386,684	59,123
Prepaid estate administration	592	-	592	675	-	675
Total liabilities to clients	**869,252**	**803,949**	**65,303**	**882,713**	**822,915**	**59,798**
Trade payables	3,820	3,820	-	2,528	2,528	-
Other payables	1,808	1,762	46	1,819	1,749	70
Derivative financial instruments	4,923	3,130	1,793	8,647	3,539	5,108
Prepaid income	245	245	-	288	288	-
Employee benefits	4,760	2,363	2,397	4,671	2,207	2,464
Provisions	1,255	1,134	121	387	239	148
Total liabilities	**886,063**	**816,403**	**69,660**	**901,053**	**833,465**	**67,588**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

19 Maturity analysis of assets and liabilities (continued)

Parent	STATEMENT OF FINANCIAL POSITION 2011 $000	LESS THAN 12 MONTHS 2011 $000	GREATER THAN 12 MONTHS 2011 $000	STATEMENT OF FINANCIAL POSITION 2010 $000	LESS THAN 12 MONTHS 2010 $000	GREATER THAN 12 MONTHS 2010 $000
Assets						
Cash and cash equivalents	25,675	25,675	-	26,505	26,505	-
Investment securities	656,994	493,460	163,534	625,692	350,020	275,672
Derivative financial instruments	2,181	190	1,991	2,385	287	2,098
Advances to clients	7,847	7,226	621	8,694	7,840	854
Trade receivables	5,544	3,484	2,060	4,401	2,508	1,893
Due from subsidiary	111	111	-	119	119	-
Advances secured by mortgage	194,791	45,883	148,908	241,448	57,256	184,192
Total financial assets	**893,143**	**576,029**	**317,114**	**909,244**	**444,535**	**464,709**
Sundry receivables	1,352	1,352	-	109	109	-
Prepayments	745	726	19	836	791	45
Current tax	227	227	-	726	726	-
Property, plant & equipment	8,657	-	8,657	6,666	-	6,666
Intangibles	577	-	577	510	-	510
Investments in subsidiaries	4,654	-	4,654	4,654	-	4,654
Total assets	**909,355**	**578,334**	**331,021**	**922,745**	**446,161**	**476,584**
Liabilities						
Liabilities to clients – at call or short term	460,629	460,629	-	436,231	436,231	-
Liabilities to clients – term deposits	408,031	343,320	64,711	445,807	386,684	59,123
Prepaid estate administration	592	-	592	675	-	675
Total liabilities to clients	**869,252**	**803,949**	**65,303**	**882,713**	**822,915**	**59,798**
Trade payables	3,730	3,730	-	2,427	2,427	-
Other payables	1,808	1,762	46	1,819	1,749	70
Derivative financial instruments	4,923	3,130	1,793	8,647	3,539	5,108
Employee benefits	4,760	2,363	2,397	4,671	2,207	2,464
Provisions	1,247	1,134	113	379	239	140
Loan from subsidiary	6,900	6,900	-	6,315	6,315	-
Total liabilities	**892,620**	**822,968**	**69,652**	**906,971**	**839,391**	**67,580**

20 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 valuation of the 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 risks 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 on-call liability interest rates as well as floating rate mortgage interest rates. Changes in the base interest rates 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 when the cash flows are expected to occur and when they are expected to affect profit or loss is shown in note 23 Liquidity risk.

Fair value hedging

The Group has long-dated term deposits. Changes in the applicable interest rates will lead to changes in the fair value of the long-dated term deposits. Interest rate swaps have been entered into to mitigate this risk and these interest rate swaps are treated as fair value hedges for accounting purposes.

Group & Parent	2011 $000	2010 $000
Gains (losses) on interest rate swaps	(112)	(365)
Gains (losses) on long-dated term deposits	17	388

Financial risk assessment

The interest rate risk exposure including all derivatives 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.

20 Interest rate risk (continued)

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.

Group & Parent	2011 $000	2010 $000
1 year Value-at-Risk at 95% confidence level	697	731

The values stated are on a pre-tax basis.

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.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

20 Interest rate risk (continued)

The following analysis has been prepared on the basis of the notional value of the underlying financial assets and financial liabilities and shows the periods to contractual repricing or maturity dates (whichever date is earlier) as at balance date:

Group 2011	STATEMENT OF FINANCIAL POSITION $000	TOTAL $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
Assets							
Cash and cash equivalents	25,714	25,714	25,714	-	-	-	-
Interest bearing securities	656,994	680,421	639,421	41,000	-	-	-
Advances to clients	7,847	7,847	7,847	-	-	-	-
Advances secured by mortgage	194,791	186,941	150,301	24,394	10,745	1,501	-
Other financial assets	6,140	6,140	6,140	-	-	-	-
	891,486	907,063	829,423	65,394	10,745	1,501	-
Liabilities							
Liabilities to clients – at call or short term	460,629	460,629	460,629	-	-	-	-
Liabilities to clients – term deposits	408,031	401,019	338,522	38,775	8,769	10,953	4,000
	868,660	861,648	799,151	38,775	8,769	10,953	4,000
Derivatives							
Forward rate agreements	(102)	-	-	-	-	-	-
Interest rate swaps	(2,640)	-	22,515	(19,975)	(12,040)	5,500	4,000
	(2,742)	-	22,515	(19,975)	(12,040)	5,500	4,000
Re-pricing gap		**45,415**	**52,787**	**6,644**	**(10,064)**	**(3,952)**	**-**

Group 2010	STATEMENT OF FINANCIAL POSITION $000	TOTAL $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
Assets							
Cash and cash equivalents	26,526	26,526	26,526	-	-	-	-
Interest bearing securities	625,692	654,022	547,532	82,500	23,990	-	-
Advances to clients	8,694	8,694	8,694	-	-	-	-
Advances secured by mortgage	241,448	233,001	173,378	38,928	13,751	6,944	-
Other financial assets	5,051	5,051	5,051	-	-	-	-
	907,411	927,294	761,181	121,428	37,741	6,944	-
Liabilities							
Liabilities to clients – at call or short term	436,231	436,231	436,231	-	-	-	-
Liabilities to clients – term deposits	445,807	439,432	382,540	23,781	15,902	9,209	8,000
	882,038	875,663	818,771	23,781	15,902	9,209	8,000
Derivatives							
Forward rate agreements	18	-	-	-	-	-	-
Interest rate swaps	(6,280)	-	108,650	(95,260)	(21,250)	(140)	8,000
	(6,262)	-	108,650	(95,260)	(21,250)	(140)	8,000
Re-pricing gap		**51,631**	**51,060**	**2,387**	**589**	**(2,405)**	**-**

20 Interest rate risk (continued)

Parent 2011	STATEMENT OF FINANCIAL POSITION $000	TOTAL $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
Assets							
Cash and cash equivalents	25,675	25,675	25,675	-	-	-	-
Interest bearing securities	656,994	680,421	639,421	41,000	-	-	-
Advances to clients	7,847	7,847	7,847	-	-	-	-
Advances secured by mortgage	194,791	186,941	150,301	24,394	10,745	1,501	-
Other financial assets	5,655	5,655	5,655	-	-	-	-
	890,962	906,539	828,899	65,394	10,745	1,501	-
Liabilities							
Liabilities to clients – at call or short term	460,629	460,629	460,629	-	-	-	-
Liabilities to clients – term deposits	408,031	401,019	338,522	38,775	8,769	10,953	4,000
Loan from subsidiary	6,900	6,900	6,900	-	-	-	-
	875,560	868,548	806,051	38,775	8,769	10,953	4,000
Derivatives							
Forward rate agreements	(102)	-	-	-	-	-	-
Interest rate swaps	(2,640)	-	22,515	(19,975)	(12,040)	5,500	4,000
	(2,742)	-	22,515	(19,975)	(12,040)	5,500	4,000
Re-pricing gap		**37,991**	**45,363**	**6,644**	**(10,064)**	**(3,952)**	**-**

Parent 2010	STATEMENT OF FINANCIAL POSITION $000	TOTAL $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
Assets							
Cash and cash equivalents	26,505	26,505	26,505	-	-	-	-
Interest bearing securities	625,692	654,022	547,532	82,500	23,990	-	-
Advances to clients	8,694	8,694	8,694	-	-	-	-
Advances secured by mortgage	241,448	233,001	173,378	38,928	13,751	6,944	-
Other financial assets	4,520	4,520	4,520	-	-	-	-
	906,859	926,742	760,629	121,428	37,741	6,944	-
Liabilities							
Liabilities to clients – at call or short term	436,231	436,231	436,231	-	-	-	-
Liabilities to clients – term deposits	445,807	439,432	382,540	23,781	15,902	9,209	8,000
Loan from subsidiary	6,315	6,315	6,315	-	-	-	-
	888,353	881,978	825,086	23,781	15,902	9,209	8,000
Derivatives							
Forward rate agreements	18	-	-	-	-	-	-
Interest rate swaps	(6,280)	-	108,650	(95,260)	(21,250)	(140)	8,000
	(6,262)	-	108,650	(95,260)	(21,250)	(140)	8,000
Re-pricing gap		**44,764**	**44,193**	**2,387**	**589**	**(2,405)**	**-**

21 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.

Some supplier contracts, generally in relation to software licence agreements, are denominated in foreign currencies. Where these are below a size that is not economically viable to hedge, the risk is not mitigated.

22 Credit risk

Credit risk is the risk that a counterparty to a financial asset will fail to meet its obligation to pay.

The following carrying amounts of financial assets represent the maximum credit exposure.

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Mortgage backed securities	45,937	72,268	45,937	72,268
Registered banks	464,532	337,728	464,494	337,707
Corporates	128,024	152,335	128,024	152,335
Local authorities	46,396	80,089	46,396	80,089
State owned enterprises	-	8,057	-	8,057
Crown entities	-	4,126	-	4,126
Client overdrafts	7,135	7,751	7,135	7,751
Advances to client beneficiaries	712	943	712	943
Real estate mortgages secured by underwriting agreement	3,976	4,603	3,976	4,603
Real estate mortgages	190,815	236,845	190,815	236,845
Receivables of uncertain timing	2,899	2,573	2,899	2,573
Other	3,241	2,478	2,755	1,947
Total financial assets subject to credit risk	**893,667**	**909,796**	**893,143**	**909,244**

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

Group	ADVANCES TO CLIENTS 2011 $000	TRADE RECEIVABLES 2011 $000	ADVANCES SECURED BY MORTGAGE 2011 $000	ADVANCES TO CLIENTS 2010 $000	TRADE RECEIVABLES 2010 $000	ADVANCES SECURED BY MORTGAGE 2010 $000
Neither past due nor impaired	7,847	5,843	181,086	8,694	4,782	218,852
Past due but not impaired	-	297	5,693	-	269	14,162
Impaired	-	157	17,941	-	124	23,581
Gross	7,847	6,297	204,720	8,694	5,175	256,595
Less: Allowance for impairment	-	(157)	(9,929)	-	(124)	(15,147)
Net	**7,847**	**6,140**	**194,791**	**8,694**	**5,051**	**241,448**

22 Credit risk (continued)

Parent	ADVANCES TO CLIENTS 2011 $000	TRADE RECEIVABLES 2011 $000	ADVANCES SECURED BY MORTGAGE 2011 $000	ADVANCES TO CLIENTS 2010 $000	TRADE RECEIVABLES 2010 $000	ADVANCES SECURED BY MORTGAGE 2010 $000
Neither past due nor impaired	7,847	5,287	181,086	8,694	4,213	218,852
Past due but not impaired	-	257	5,693	-	188	14,162
Impaired	-	157	17,941	-	124	23,581
Total	7,847	5,701	204,720	8,694	4,525	256,595
Less: Allowance for impairment	-	(157)	(9,929)	-	(124)	(15,147)
Net	**7,847**	**5,544**	**194,791**	**8,694**	**4,401**	**241,448**

Further analyses of these loans and receivables are below.

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 2011 (2010: 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 half 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.

22 Credit risk (continued)

Trade receivables

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.

There are policies and procedures for the invoicing and collection of all fees and client estate debts. There are adequate procedures for monitoring and reviewing outstanding debts. These procedures ensure appropriate actions are taken to recover the debt and assess the potential loss as a result of the risks.

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

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Past due 1-30 days	62	89	61	82
Past due 31-60 days	50	71	50	30
Past due 61-90 days	98	19	69	15
Past due more than 90 days	87	90	77	61
Total	**297**	**269**	**257**	**188**

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. 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.

On a monthly basis, the collectability of all amounts greater than a specified level is individually reviewed. For the remainder, a sample is taken and their collectability is assessed. This review determines the requirement for any impairment allowance, either individually or collectively.

Advances secured by mortgage

The Group has policies and procedures to manage the credit risk of advances secured by mortgage. The primary objective is for the portfolio to be well diversified, both geographically and amongst borrowers.

All advances are subject to risk grading assessments. Security for advances secured by mortgage comprises a registered first mortgage over freehold property. Standard policy is that mortgage advances should not exceed 80% of the value of the property as at the time of making the loan.

Residential loans may exceed 80% of the valuation in exceptional circumstances. In such cases the mortgage security will be supplemented by Mortgage Lenders Insurance.

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.

22 Credit risk (continued)

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 events that occurred after the initial recognition of the advance and prior to the reporting date, and the loss events have 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.

Group & Parent	2011 $000	2010 $000
A	89,844	93,838
B	71,299	89,888
C	25,635	49,454
	186,778	**233,180**

The carrying amount of advances secured by mortgage that would otherwise be past due or impaired whose terms have been renegotiated is nil (2010: nil).

The following table provides an analysis of the advances secured by mortgage that are past due but not impaired.

Group & Parent	2011 $000	2010 $000
Past due 1-30 days	5,665	8,647
Past due 31-60 days	17	2,570
Past due 61-90 days	3	2,889
Past due more than 90 days	8	56
Total	**5,693**	**14,162**

22 Credit risk (continued)

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.

Group & Parent	GROSS VALUE 2011 $000	IMPAIRMENT 2011 $000	NET VALUE 2011 $000	GROSS VALUE 2010 $000	IMPAIRMENT 2010 $000	NET VALUE 2010 $000
Residential & Residential Investment	9,719	(4,142)	5,577	13,361	(5,934)	7,427
Commercial & Development	8,222	(2,706)	5,516	10,220	(5,249)	4,971
	17,941	**(6,848)**	**11,093**	**23,581**	**(11,183)**	**12,398**

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

Group & Parent	GROSS VALUE 2011 $000	IMPAIRMENT 2011 $000	NET VALUE 2011 $000	GROSS VALUE 2010 $000	IMPAIRMENT 2010 $000	NET VALUE 2010 $000
Residential & Residential Investment	132,234	(987)	131,247	150,256	(1,069)	149,187
Commercial & Development	52,193	(2,093)	50,100	75,568	(2,692)	72,876
Other	2,351	-	2,351	7,356	(203)	7,153
	186,778	**(3,080)**	**183,698**	**233,180**	**(3,964)**	**229,216**

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 swaps 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.

22 Credit risk (continued)

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).

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Long-term credit rating				
AAA	18,059	45,367	18,059	45,367
AA+	9,014	-	9,014	-
AA	40,610	109,405	40,610	109,405
AA-	78,455	119,740	78,455	119,740
A+	26,558	25,083	26,558	25,083
A	14,259	19,066	14,259	19,066
A-	19,806	19,195	19,806	19,195
BBB+	16,573	27,430	16,573	27,430
BB	-	6,621	-	6,621
B	3,838	-	3,838	-
B-	4,825	3,884	4,825	3,884
CCC	4,956	8,684	4,956	8,684
Unrated local authority	9,983	12,857	9,983	12,857
	246,936	397,332	246,936	397,332
Short-term credit rating				
A1+	437,953	249,206	437,914	249,185
A2	-	8,057	-	8,057
	437,953	257,263	437,914	257,242
Unrated – other financial assets	208,778	255,201	208,293	254,670
Total financial assets	**893,667**	**909,796**	**893,143**	**909,244**

23 Liquidity risk

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

The Group mitigates this 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 assets and 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.

All advances to clients are repayable on demand. There is a portion where collection is expected to be received after one year.

Trade receivables include receivables of uncertain timing. Where collection is expected beyond 12 months, it is assumed they will be collected more than five years from balance 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.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

23 Liquidity risk (continued)

Group 2011	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
Cash and cash equivalents	25,714	25,714	25,714	-	-	-	-
Investment securities	656,994	725,402	507,336	77,657	35,629	18,809	85,971
Advances to clients	7,847	9,571	7,188	53	53	351	1,926
Trade receivables	6,140	7,381	4,049	-	-	-	3,332
Advances secured by mortgages	194,791	285,647	55,328	38,599	20,237	27,591	143,892
Total non-derivative financial assets	891,486	1,053,715	599,615	116,309	55,919	46,751	235,121
Interest rate swaps							
Held for trading	-	-	-	-	-	-	-
Cash flow hedge accounted	8	10	39	(13)	(9)	(7)	-
Fair value hedge accounted	2,168	2,315	1,137	505	277	311	85
Forward rate agreements	5	(14)	(14)	-	-	-	-
Total derivative financial assets	2,181	2,311	1,162	492	268	304	85
Total financial assets	893,667	1,056,026	600,777	116,801	56,187	47,055	235,206
Liabilities to clients – at call or short term	460,629	460,629	460,629	-	-	-	-
Liabilities to clients – term deposits	408,031	419,859	351,709	41,381	10,128	12,005	4,636
Trade payables	3,820	3,821	3,821	-	-	-	-
Total non-derivative financial liabilities	872,480	884,309	816,159	41,381	10,128	12,005	4,636
Interest rate swaps							
Held for trading	816	825	825	-	-	-	-
Economically hedged	3,191	3,250	1,892	1,358	-	-	-
Cash flow hedge accounted	809	698	523	176	(1)	-	-
Forward rate agreements	107	103	103	-	-	-	-
Total derivative financial liabilities	4,923	4,876	3,343	1,534	(1)	-	-
Total financial liabilities	877,403	889,185	819,502	42,915	10,127	12,005	4,636
Total contractual maturities		**166,841**	**(218,725)**	**73,886**	**46,060**	**35,050**	**230,570**

23 Liquidity risk (continued)

Group 2010	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
Cash and cash equivalents	26,526	26,526	26,526	-	-	-	-
Investment securities	625,692	711,436	367,438	144,174	65,228	58,903	75,693
Advances to clients	8,694	9,015	7,838	81	93	941	62
Trade receivables	5,051	6,146	3,136	-	-	-	3,010
Advances secured by mortgages	241,448	344,873	59,638	38,576	50,608	31,196	164,855
Total non-derivative financial assets	907,411	1,097,996	464,576	182,831	115,929	91,040	243,620
Interest rate swaps							
Held for trading	35	24	24	-	-	-	-
Cash flow hedge accounted	2	(18)	(10)	(3)	(3)	(2)	-
Fair value hedge accounted	2,317	3,005	989	686	427	568	335
Forward rate agreements	31	48	48	-	-	-	-
Total derivative financial assets	2,385	3,059	1,051	683	424	566	335
Total financial assets	909,796	1,101,055	465,627	183,514	116,353	91,606	243,955
Liabilities to clients – at call or short term	436,231	436,231	436,231	-	-	-	-
Liabilities to clients – term deposits	445,807	458,821	394,447	26,951	17,540	11,192	8,691
Trade payables	2,528	2,528	2,528	-	-	-	-
Total non-derivative financial liabilities	884,566	897,580	833,206	26,951	17,540	11,192	8,691
Interest rate swaps							
Held for trading	209	318	(620)	938	-	-	-
Economically hedged	6,940	7,250	4,251	2,393	606	-	-
Cash flow hedge accounted	1,485	1,636	1,030	409	174	23	-
Forward rate agreements	13	21	21	-	-	-	-
Total derivative financial liabilities	8,647	9,225	4,682	3,740	780	23	-
Total financial liabilities	893,213	906,805	837,888	30,691	18,320	11,215	8,691
Total contractual maturities		**194,250**	**(372,261)**	**152,823**	**98,033**	**80,391**	**235,264**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

23 Liquidity risk (continued)

Parent 2011	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
Cash and cash equivalents	25,675	25,675	25,675	-	-	-	-
Investment securities	656,994	725,402	507,336	77,657	35,629	18,809	85,971
Advances to clients	7,847	9,571	7,188	53	53	351	1,926
Trade receivables	5,544	6,634	3,302	-	-	-	3,332
Due from subsidiary	111	111	111	-	-	-	-
Advances secured by mortgages	194,791	285,647	55,328	38,599	20,237	27,591	143,892
Total non-derivative financial assets	890,962	1,053,040	598,940	116,309	55,919	46,751	235,121
Interest rate swaps							
Cash flow hedge accounted	8	10	39	(13)	(9)	(7)	-
Fair value hedge accounted	2,168	2,315	1,137	505	277	311	85
Forward rate agreements	5	(14)	(14)	-	-	-	-
Total derivative financial assets	2,181	2,311	1,162	492	268	304	85
Total financial assets	893,143	1,055,351	600,102	116,801	56,187	47,055	235,206
Liabilities to clients – at call or short term	460,629	460,629	460,629	-	-	-	-
Liabilities to clients – term deposits	408,031	419,859	351,709	41,381	10,128	12,005	4,636
Trade payables	3,730	3,731	3,731	-	-	-	-
Loan from subsidiary	6,900	6,900	6,900	-	-	-	-
Total non-derivative financial liabilities	879,290	891,119	822,969	41,381	10,128	12,005	4,636
Interest rate swaps							
Held for trading	816	825	825	-	-	-	-
Economically hedged	3,191	3,250	1,892	1,358	-	-	-
Cash flow hedge accounted	809	698	523	176	(1)	-	-
Forward rate agreements	107	103	103	-	-	-	-
Total derivative financial liabilities	4,923	4,876	3,343	1,534	(1)	-	-
Total financial liabilities	884,213	895,995	826,312	42,915	10,127	12,005	4,636
Total contractual maturities		**159,356**	**(226,210)**	**73,886**	**46,060**	**35,050**	**230,570**

23 Liquidity risk (continued)

Parent 2010	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
Cash and cash equivalents	26,505	26,505	26,505	-	-	-	-
Investment securities	625,692	711,436	367,438	144,174	65,228	58,903	75,693
Advances to clients	8,694	9,015	7,838	81	93	941	62
Trade receivables	4,401	5,496	2,486	-	-	-	3,010
Due from subsidiary	119	119	119	-	-	-	-
Advances secured by mortgages	241,448	344,873	59,638	38,576	50,608	31,196	164,855
Total non-derivative financial assets	906,859	1,097,444	464,024	182,831	115,929	91,040	243,620
Interest rate swaps							
Held for trading	35	24	24	-	-	-	-
Cash flow hedge accounted	2	(18)	(10)	(3)	(3)	(2)	-
Fair value hedge accounted	2,317	3,005	989	686	427	568	335
Forward rate agreements	31	48	48	-	-	-	-
Total derivative financial assets	2,385	3,059	1,051	683	424	566	335
Total financial assets	909,244	1,100,503	465,075	183,514	116,353	91,606	243,955
Liabilities to clients – at call or short term	436,231	436,231	436,231	-	-	-	-
Liabilities to clients – term deposits	445,807	458,821	394,447	26,951	17,540	11,192	8,691
Trade payables	2,427	2,427	2,427	-	-	-	-
Loan from subsidiary	6,315	6,315	6,315	-	-	-	-
Total non-derivative financial liabilities	890,780	903,794	839,420	26,951	17,540	11,192	8,691
Interest rate swaps							
Held for trading	209	318	(620)	938	-	-	-
Economically hedged	6,940	7,250	4,251	2,393	606	-	-
Cash flow hedge accounted	1,485	1,636	1,030	409	174	23	-
Forward rate agreements	13	21	21	-	-	-	-
Total derivative financial liabilities	8,647	9,225	4,682	3,740	780	23	-
Total financial liabilities	899,427	913,019	844,102	30,691	18,320	11,215	8,691
Total contractual maturities		**187,484**	**(379,027)**	**152,823**	**98,033**	**80,391**	**235,264**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

23 Liquidity risk (continued)

Cash flow hedges

The following table indicates the periods when the cash flows are expected to occur and when they are expected to impact profit or loss.

	TOTAL	1 YEAR OR LESS $000	1 TO 2 YEARS $000	2 TO 3 YEARS $000	3 TO 5 YEARS $000	OVER 5 YEARS $000
Group & Parent 2011						
Cash inflows (assets)	10	39	(13)	(9)	(7)	-
Cash outflows (liabilities)	698	523	176	(1)	-	-
Net cash inflows (outflows)	**(688)**	**(484)**	**(189)**	**(8)**	**(7)**	**-**
Group & Parent 2010						
Cash inflows (assets)	(18)	(10)	(3)	(3)	(2)	-
Cash outflows (liabilities)	1,636	1,030	409	174	23	-
Net cash inflows (outflows)	**(1,654)**	**(1,040)**	**(412)**	**(177)**	**(25)**	**-**

	TOTAL	1 YEAR OR LESS $000	1 TO 2 YEARS $000	2 TO 3 YEARS $000	3 TO 5 YEARS $000	OVER 5 YEARS $000
Group & Parent 2011						
Profit or loss	(688)	(484)	(189)	(8)	(7)	-
Group & Parent 2010						
Profit or loss	(1,654)	(1,040)	(412)	(177)	(25)	-

24 Fair value

Bases to fair value

Cash and cash equivalents, Advances to clients, Trade receivables, Overdraft, Trade payables, Due from subsidiary (Parent), Loan from subsidiary (Parent)

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.

Receivables of uncertain timing

These financial instruments have been discounted to present value and therefore are shown at fair value. The accounting policies describe how fair value is determined.

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.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

24 Fair value (continued)

For a portion of the mortgage backed securities portfolio with a carrying value of $21.4 million (2010: $25.7 million), prices are obtained from third party agents. Assumptions made by the third party agents are relied on. The judgement involved in determining the market price is based on the following factors: an assessment of the prepayment speed, credit spread, arrears history, any actual/expected losses, credit rating, time to expected maturity, loan to value ratios, insurance status and credit rating of the insurer where applicable.

For the remainder of the mortgage backed securities portfolio with a carrying value of $24.6 million (2010: $29.3 million), there is no quoted market price or pricing available from a third party agent and a valuation technique is used. These mortgage backed securities are made up of two groups with carrying values of $19.6 million (2010: $20.6 million) and $5 million (2010: $8.7 million) that are subject to this valuation technique. The credit ratings of these mortgage backed securities range from AAA to CCC.

The fair value is determined by reference to a third party's current market price of a similar instrument not held in the portfolio, which has a substantively similar subordination and credit rating structure. The credit margin of this benchmark instrument is adjusted to reflect the unique nature of the mortgage backed security held. These adjustments relate principally to whether the underlying pool of mortgages is residential or commercial and takes account of the expected average life of each tranche which is calculated by assessing the prepayment history. The expected cash flows of the investment are then discounted using quoted market discount rates and the adjusted credit margin. Key assumptions are applied in the valuation technique in relation to expected average life, credit margins and discount rates. The expected average life assumes the issuer does not exercise the call option at the first call date but on a date based on expected prepayment and cash flows in the pool.

Whilst the Group is confident that the fair values included in these financial statements represent the best available information, a degree of uncertainty exists in the absence of an active market.

24 Fair value (continued)

Advances secured by mortgage

Advances secured by mortgage are valued on the following basis:

Mortgages subject to impairment are removed from consideration. The remaining mortgages are subject to the following processes:

- 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 illiquidity.

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

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.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

24 Fair value (continued)

Group 2011	FAIR VALUE THROUGH PROFIT OR LOSS (DESIGNATED ON INITIAL RECOGNITION)		FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING)	
	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000
Financial assets				
Cash and cash equivalents	-	-	-	-
Investment securities	276,298	276,298	-	-
Derivative financial instruments	-	-	5	5
Advances to clients	-	-	-	-
Trade receivables	-	-	-	-
Advances secured by mortgages	-	-	-	-
Total financial assets	**276,298**	**276,298**	**5**	**5**
Financial liabilities				
Liabilities to clients – at call or short term	-	-	-	-
Liabilities to clients – term deposits	-	-	-	-
Trade payables	-	-	-	-
Derivative financial instruments	-	-	4,114	4,114
Total financial liabilities	**-**	**-**	**4,114**	**4,114**

Group 2010	FAIR VALUE THROUGH PROFIT OR LOSS (DESIGNATED ON INITIAL RECOGNITION)		FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING)	
	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000
Financial assets				
Cash and cash equivalents	-	-	-	-
Investment securities	437,572	437,572	-	-
Derivative financial instruments	-	-	66	66
Advances to clients	-	-	-	-
Trade receivables	-	-	-	-
Advances secured by mortgages	-	-	-	-
Total financial assets	**437,572**	**437,572**	**66**	**66**
Financial liabilities				
Liabilities to clients – at call or short term	-	-	-	-
Liabilities to clients – term deposits	-	-	-	-
Trade payables	-	-	-	-
Derivative financial instruments	-	-	7,162	7,162
Total financial liabilities	**-**	**-**	**7,162**	**7,162**

HEDGE ACCOUNTING		LOANS AND RECEIVABLES		FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000
-	-	25,714	25,714	-	-	25,714	25,714
-	-	380,696	382,860	-	-	656,994	659,158
2,176	2,176	-	-	-	-	2,181	2,181
-	-	7,847	7,847	-	-	7,847	7,847
-	-	6,140	6,140	-	-	6,140	6,140
-	-	194,791	194,987	-	-	194,791	194,987
2,176	**2,176**	**615,188**	**617,548**	**-**	**-**	**893,667**	**896,027**
-	-	-	-	460,629	460,629	460,629	460,629
44,769	44,769	-	-	363,262	369,046	408,031	413,815
-	-	-	-	3,821	3,821	3,821	3,821
809	809	-	-	-	-	4,923	4,923
45,578	**45,578**	**-**	**-**	**827,712**	**833,496**	**877,404**	**883,188**

HEDGE ACCOUNTING		LOANS AND RECEIVABLES		FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000
-	-	26,526	26,526	-	-	26,526	26,526
-	-	188,120	189,312	-	-	625,692	626,884
2,319	2,319	-	-	-	-	2,385	2,385
-	-	8,694	8,694	-	-	8,694	8,694
-	-	5,051	5,051	-	-	5,051	5,051
-	-	241,448	240,823	-	-	241,448	240,823
2,319	**2,319**	**469,839**	**470,406**	**-**	**-**	**909,796**	**910,363**
-	-	-	-	436,231	436,231	436,231	436,231
33,278	33,270	-	-	412,529	413,844	445,807	447,114
-	-	-	-	2,528	2,528	2,528	2,528
1,485	1,485	-	-	-	-	8,647	8,647
34,763	**34,755**	**-**	**-**	**851,288**	**852,603**	**893,213**	**894,520**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

24 Fair value (continued)

Parent 2011	FAIR VALUE THROUGH PROFIT OR LOSS (DESIGNATED ON INITIAL RECOGNITION) CARRYING VALUE $000	FAIR VALUE $000	FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING) CARRYING VALUE $000	FAIR VALUE $000
Financial assets				
Cash and cash equivalents	-	-	-	-
Investment securities	276,297	276,297	-	-
Derivative financial instruments	-	-	5	5
Advances to clients	-	-	-	-
Trade receivables	-	-	-	-
Due from subsidiary	-	-	-	-
Advances secured by mortgages	-	-	-	-
Total financial assets	**276,297**	**276,297**	**5**	**5**
Financial liabilities				
Liabilities to clients – at call or short term	-	-	-	-
Liabilities to clients – term deposits	-	-	-	-
Trade payables	-	-	-	-
Derivative financial instruments	-	-	4,114	4,114
Loan from subsidiary	-	-	-	-
Total financial liabilities	**-**	**-**	**4,114**	**4,114**

Parent 2010	FAIR VALUE THROUGH PROFIT OR LOSS (DESIGNATED ON INITIAL RECOGNITION) CARRYING VALUE $000	FAIR VALUE $000	FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING) CARRYING VALUE $000	FAIR VALUE $000
Financial assets				
Cash and cash equivalents	-	-	-	-
Investment securities	437,572	437,572	-	-
Derivative financial instruments	-	-	66	66
Advances to clients	-	-	-	-
Trade receivables	-	-	-	-
Due from subsidiary	-	-	-	-
Advances secured by mortgages	-	-	-	-
Total financial assets	**437,572**	**437,572**	**66**	**66**
Financial liabilities				
Liabilities to clients – at call or short term	-	-	-	-
Liabilities to clients – term deposits	-	-	-	-
Trade payables	-	-	-	-
Derivative financial instruments	-	-	7,162	7,162
Loan from subsidiary	-	-	-	-
Total financial liabilities	**-**	**-**	**7,162**	**7,162**

HEDGE ACCOUNTING		LOANS AND RECEIVABLES		FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000
-	-	25,675	25,675	-	-	25,675	25,675
-	-	380,697	382,860	-	-	656,994	659,157
2,176	2,176	-	-	-	-	2,181	2,181
-	-	7,847	7,847	-	-	7,847	7,847
-	-	5,544	5,544	-	-	5,544	5,544
-	-	111	111	-	-	111	111
-	-	194,791	194,987	-	-	194,791	194,987
2,176	**2,176**	**614,665**	**617,024**	**-**	**-**	**893,143**	**895,502**
-	-	-	-	460,629	460,629	460,629	460,629
44,769	44,769	-	-	363,262	369,046	408,031	413,815
-	-	-	-	3,730	3,730	3,730	3,730
809	809	-	-	-	-	4,923	4,923
-	-	-	-	6,900	6,900	6,900	6,900
45,578	**45,578**	**-**	**-**	**834,521**	**840,305**	**884,213**	**889,997**

HEDGE ACCOUNTING		LOANS AND RECEIVABLES		FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000	CARRYING VALUE $000	FAIR VALUE $000
-	-	26,505	26,505	-	-	26,505	26,505
-	-	188,120	189,312	-	-	625,692	626,884
2,319	2,319	-	-	-	-	2,385	2,385
-	-	8,694	8,694	-	-	8,694	8,694
-	-	4,401	4,401	-	-	4,401	4,401
-	-	119	119	-	-	119	119
-	-	241,448	240,823	-	-	241,448	240,823
2,319	**2,319**	**469,287**	**469,854**	**-**	**-**	**909,244**	**909,811**
-	-	-	-	436,231	436,231	436,231	436,231
33,278	33,270	-	-	412,529	413,844	445,807	447,114
-	-	-	-	2,427	2,427	2,427	2,427
1,485	1,485	-	-	-	-	8,647	8,647
-	-	-	-	6,315	6,315	6,315	6,315
34,763	**34,755**	**-**	**-**	**857,502**	**858,817**	**899,427**	**900,734**

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

24 Fair value (continued)

Group & Parent	2011 $000	2010 $000
Level 1		
Assets		
Investment securities		
Banks	55,941	100,542
Corporates	5,497	7,229
Total for level 1 assets	**61,438**	**107,771**
Level 2		
Assets		
Investment securities		
Local authorities	46,396	80,089
Banks	-	20,155
State owned enterprises	-	8,057
Crown entities	-	4,126
Corporates	70,952	81,499
Derivative financial instruments		
Interest rate swaps		
Held for trading	-	35
Cash flow hedge accounted	8	2
Fair value hedge accounted	2,168	2,317
Forward rate agreements	5	31
Total for level 2 assets	**119,529**	**196,311**
Liabilities		
Derivative financial instruments		
Interest rate swaps		
Held for trading	816	209
Economically hedged	3,191	6,940
Cash flow hedge accounted	809	1,485
Forward rate agreements	107	13
Total for level 2 liabilities	**4,923**	**8,647**

Group & Parent	2011 $000	2010 $000
Level 3		
Assets		
Investment securities		
Mortgage backed securities	45,937	72,268
Corporates	51,575	63,607
Total for level 3 assets	**97,512**	**135,875**
Level 3 reconciliation		
Opening balance	135,875	212,159
Total gains (losses) recognised in profit or loss[1]	1,762	2,662
Movement in amortisation	(82)	(266)
Movement in accrued interest	(269)	(270)
Purchases	86,526	305,276
Sales	(17,696)	(64,368)
Maturities	(108,604)	(319,318)
Transfers into or out of level 3	-	-
Closing balance	**97,512**	**135,875**
Total unrealised gains (losses) for assets held at balance date[1]	2,993	4,989

[1] Recognised within net gains (losses) on financial assets/liabilities at fair value through profit or loss designated upon initial recognition (Note 26).

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:

Group & Parent	2011 $000	2010 $000
10 points change in credit margin	252	263
90 days increase in weighted average life	888	1,292

25 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 bonds and other interest bearing securities. The value of these instruments is a function of underlying risk free interest rates plus a credit margin. A reasonably possible change in credit margins is approximately 10 basis points, although under extreme circumstances this could be significantly more, as has happened in 2009 when credit margins decreased on average 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 10 basis points.

Group & Parent	2011 $000	2010 $000
Local authorities	50	129
Banks	65	123
State owned enterprises	-	7
Crown entities	-	1
Mortgage backed securities	101	135
Corporates	213	331
	429	**726**

Prepayment pattern

The Group holds a number of mortgage backed securities in which the issuer has the right to repay earlier than the contractual repayment term. A factor in the valuation of such instruments is the expected pattern of repayment due to the exercise of this right. If the period shortens there is a gain and if it lengthens there is a loss. For every 90 days that the actual repayment pattern differs from the anticipated pattern there will be a change in value of $458,300 (2010: $532,000).

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.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

26 Revenues arising and expenses incurred in arriving at profit or loss

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

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Fees and other revenue				
Fees from trust and other fiduciary activities	36,711	35,371	34,548	33,175
Fees from other services	7,655	7,610	9,161	9,153
Other revenue	2,737	1,495	2,345	1,125
Financial assets and financial liabilities not at fair value through profit or loss				
Interest revenue	29,269	26,839	29,269	26,839
Interest expense	(25,863)	(27,209)	(26,092)	(27,425)
Fee revenue	535	365	535	365
Fee expense	(17)	(20)	(17)	(20)
Net gains (losses)				
Financial assets/liabilities fair value through profit or loss				
Designated on initial recognition	3,472	8,116	3,472	8,116
Held for trading	1,789	2,158	1,789	2,158
Loans and receivables	(61)	(165)	(61)	(165)

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

Expenses	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Audit fees	258	243	253	238
Audit fees for non-consolidated managed funds	197	129	197	129
Other fees paid to auditors	33	47	33	47
Litigation settlement	61	222	61	222
Donations	18	20	18	20
Contribution to defined contribution plans	484	388	484	388
Fees on trust and other fiduciary activities	1,427	1,155	1,427	1,155

Other fees paid to auditors relates to assurance services for the non-consolidated managed funds' agreed upon procedures and prospectus.

26 Revenues arising and expenses incurred in arriving at profit or loss (continued)

Employee remuneration

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

Remuneration band	GROUP & PARENT 2011 NUMBER OF EMPLOYEES	GROUP & PARENT 2010 NUMBER OF EMPLOYEES
$100,000 to $109,999	20	21
$110,000 to $119,999	23	22
$120,000 to $129,999	9	10
$130,000 to $139,999	13	4
$140,000 to $149,999	7	9
$150,000 to $159,999	5	7
$160,000 to $169,999	3	1
$170,000 to $179,999	3	3
$180,000 to $189,999	1	2
$190,000 to $199,999	2	2
$200,000 to $209,999	1	1
$210,000 to $219,999	-	-
$220,000 to $229,999	-	1
$230,000 to $239,999	2	-
$240,000 to $249,999	1	1
$250,000 to $259,999	-	-
$260,000 to $269,999	2	2
$270,000 to $279,999	1	-
$280,000 to $289,999	1	-
$410,000 to $419,999	1	1

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

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

26 Revenues arising and expenses incurred in arriving at profit or loss (continued)

Key management personnel

Key management personnel comprises nine (2010: 11) members of the Board and nine (2010: nine) employees in the Executive Leadership Team.

Key management personnel compensation comprises:	GROUP & PARENT 2011 $000	GROUP & PARENT 2010 $000
Short-term employee benefits	2,435	2,177
Post-employment benefits	26	19
Other long-term benefits	-	-
Termination benefits	28	56
	2,489	**2,252**

Within post-employment benefits are contributions of $26,000 (2010: $19,000) to defined contribution plans.

Employment cessation payments

During the year, 23 employees received or will receive $721,800 (2010: 48 employees received a total of $1,747,000) relating to the cessation of their employment with Public Trust.

Board member remuneration

Remuneration paid or payable to Board members:	GROUP & PARENT 2011		GROUP & PARENT 2010	
	BOARD $000	SUB-COMMITTEE $000	BOARD $000	SUB-COMMITTEE $000
Trevor Janes	42	-	25	1
Robin Hill	26	5	26	5
Candis Craven (Retired in October 2010)	7	2	21	4
Rodger Finlay	21	4	21	1
Sue McCormack (Appointed in May 2010)	21	2	4	-
Fiona Oliver (Appointed in November 2009)	21	2	14	1
Fiona Pimm (Retired in October 2009)	-	-	7	-
Hinerangi Raumati (Appointed in November 2009)	21	1	14	1
Sarah Roberts	21	7	21	6
Murray Weatherston (Retired in October 2009)	-	-	7	2
Donal Curtin (Retired in April 2010)	-	-	35	-
Dinu Harry (Appointed in April 2011)	5	-	-	-
	185	**23**	**195**	**21**

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 employees in respect of liability for loss or cost they incur in the course of their duties to Public Trust, provided that they have acted in good faith and in accordance with internal processes and practices.

27 Tax expense (benefit)

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Profit (loss) before tax	582	4,818	(291)	3,945
Cash flow hedging reserve movement	984	2,275	984	2,275
	1,566	**7,093**	**693**	**6,220**
Income tax at 30%	470	2,128	208	1,866
Add (deduct) tax effect of temporary differences				
Non-deductible expenses	22	25	22	25
Non-taxable income	(10)	(11)	(10)	(11)
Prior period adjustment	(245)	(395)	(245)	(395)
Deferred tax expense relating to temporary differences	(1,216)	(460)	(1,216)	(460)
Deferred tax arising from losses written off	828	133	1,090	395
Deferred tax arising from change in tax rate from 30% to 28%	446	1,237	446	1,237
Utilisation of losses	-	(1,975)	-	(1,975)
Utilisation of losses by transfer to subsidiary	-	-	(262)	(262)
	295	**682**	**33**	**420**
Tax effect of movement in the cash flow hedging reserve	(295)	(682)	(295)	(682)
Tax expense (benefit)	**-**	**-**	**(262)**	**(262)**
Tax expense comprises:				
Current tax	-	-	-	-
Prior period adjustment	-	-	-	-
Deferred tax expense relating to temporary differences	1,187	460	1,187	460
Deferred tax non-recognition in respect to temporary differences	(1,187)	(460)	(1,187)	(460)
Deferred tax arising from losses	17	(133)	(245)	(395)
Deferred tax non-recognition in respect to losses	(17)	133	245	395
Utilisation of losses by transfer to subsidiary	-	-	(262)	(262)
Tax expense (benefit)	**-**	**-**	**(262)**	**(262)**

28 Reconciliation of profit (loss) after tax to net cash flow from operating activities

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Profit (loss) after tax	**582**	**4,818**	**(29)**	**4,207**
Items relating to property, plant & equipment				
Depreciation	1,811	1,984	1,811	1,984
(Gains) losses on disposal of property, plant & equipment	406	25	406	25
GST on capital payables	-	(30)	-	(30)
Items relating to intangibles				
Amortisation	198	196	198	196
Items relating to investment in subsidiary				
Management fee accrual	-	-	9	(119)
Subsidiary's utilisation of tax losses from the Parent	-	-	(262)	(262)
Items relating to non-trading financial assets and financial liabilities				
Realised (gains) losses on disposal	(622)	407	(622)	407
Unrealised (gains) losses	(3,057)	(8,369)	(3,015)	(8,369)
Amortisation of premiums and discounts	2,768	3,394	2,726	3,394
Movement in accrued interest	(1,355)	(5,276)	(1,355)	(5,276)
Movement in impairment allowances	(5,185)	(3,771)	(5,185)	(3,771)
Write off of advances secured by mortgage	6,024	7,241	6,024	7,241
Movement in amortisation of origination fees and transaction costs	(29)	(50)	(29)	(50)
Other items				
(Increase) decrease in trading derivative assets	61	810	61	810
(Increase) decrease in trade receivables	(300)	(650)	(353)	(564)
(Increase) decrease in sundry receivables	(1,243)	59	(1,243)	59
(Increase) decrease in prepayments	91	(359)	91	(359)
(Increase) decrease in current tax	499	(56)	499	(56)
Increase (decrease) in trade payables	567	(158)	576	(180)
Increase (decrease) in other payables	(20)	(23)	(20)	(23)
Increase (decrease) in trading derivative liabilities	(2,897)	(3,108)	(2,897)	(3,108)
Increase (decrease) in prepaid income	(37)	(58)	8	-
Increase (decrease) in employee benefits	90	270	90	270
Increase (decrease) in provisions	868	(641)	868	(579)
Net cash flows from operating activities	**(780)**	**(3,345)**	**(1,643)**	**(4,153)**

29 Related parties

Crown-related parties

By virtue of ownership the Crown is considered to have significant influence over Public Trust (refer to Governance section). Accordingly, the Crown and all of its related parties are related parties of Public Trust. All significant transactions with Crown-related entities are disclosed below.

Revenue from the Crown of $4.5 million (2010: $4.3 million) arises from an output agreement between Public Trust and the Minister of Justice (with the agreement of the Minister of Finance). The agreement covers certain non-commercial services that are either paid for or subsidised by the Crown to ensure that, among other things, reasons of affordability do not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs. The Statement of Service Performance reports against these outputs. Payment for these services is managed by the Ministry of Justice on behalf of the Crown.

The following table shows the significant investment transactions with Crown-related entities.

Group & Parent 2011	NET INTEREST REVENUE $000	PURCHASES $000	SALES/ MATURITIES $000
New Zealand Government	-	-	-
State owned enterprises	5,179	114,000	139,000
Crown entities	(94)	-	4,020
	5,085	**114,000**	**143,020**
Group & Parent 2010			
New Zealand Government	96	37,044	42,112
State owned enterprises	4,289	265,506	137,500
Crown entities	142	4,151	-
	4,527	**306,701**	**179,612**

Group Investment Funds

Public Trust manages 40 (2010: 32) Group Investment Funds and this management relationship confers significant influence on the Funds.

The following specific transactions took place during the year in relation to the Group Investment Funds.

Group & Parent	2011 $000	2010 $000
Reimbursement of expenses	1,548	1,494
Management fee received	3,895	3,734
Interest paid	10	3
Interest received	1	11
Receivable at balance date	15	15
Total balances with the Common Fund at balance date	-	33
Total overdrafts with the Common Fund at balance date	(411)	-

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

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

29 Related parties (continued)

Funeral Trust Cash Fund

In August 2010, the decision was made to move the clients of certain Pre-paid Funeral Trusts invested in the Public Trust Common Fund to a Portfolio Investment Entity (PIE) managed fund structure, the Funeral Trust Cash Fund (the Fund). The Pre-paid Funeral Trusts invest through the Fund and remain protected by the Crown guarantee on capital and interest. All revenue earned and all investments and cash balances of the Fund are held in the Common Fund of Public Trust. Public Trust has significant influence over the Fund as it acts as the trustee, manager and administrator of the Fund.

The following specific transactions took place during the year in relation to the Fund.

Group & Parent	2011 $000
Interest paid	396
Total balances with the Common Fund at balance date	33,851

New Zealand Permanent Trustees Limited

New Zealand Permanent Trustees Limited is a wholly owned subsidiary of Public Trust. The amounts outstanding at balance date are shown in the Parent's Statement of Financial Position. Public Trust receives a management fee from New Zealand Permanent Trustees Limited for services provided. For the year ended 30 June 2011, this was $1,506,000 (2010: $1,543,000). All transactions between Public Trust and New Zealand Permanent Trustees Limited were on normal terms and conditions. They are fully eliminated on consolidation. No outstanding amounts have been written down or provided for, as they are considered fully collectible.

Key management personnel

No key management personnel have disclosed that they or their immediate relative or professional associate has any dealing with the Group 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 the Group.

Some key management personnel have mortgages with the Group. The details are:

Group & Parent	2011 $000	2010 $000
Closing balance	205	595
Interest paid during the year	32	53

Other transactions that have occurred involve the provision of trustee services to the key management personnel and/or their immediate relative.

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

30 Effects of the Canterbury earthquakes

Prior to the Canterbury earthquakes, Public Trust operated from three leasehold locations within the Christchurch CBD. All three locations were extensively damaged during the 22 February 2011 earthquake and remained untenantable at 30 June 2011. Public Trust subsequently relocated to new leasehold premises.

As a result of the earthquakes and ongoing seismic activity in the region, it is estimated that the impact on full-year fee revenue has been $1.1 million due to customer centre closures, lost appointment opportunities and disruption to estate processing. Additional operating expenditure of $1.9 million has been incurred in the year to 30 June 2011, relating to costs associated with initial business continuity, fixed asset write offs and the subsequent re-establishment of Public Trust's Christchurch operations. In addition, capital expenditure of $2.1 million has been incurred in the year to 30 June 2011 in relation to the re-establishment of Public Trust's physical presence in Christchurch.

At 30 June 2011, an interim claim had been lodged with Public Trust's insurer who has accepted the claim as valid. An interim payment of $0.5 million (including GST) was received from the insurer on 15 July 2011.

An insurance recovery of $1.3 million has been recognised in the Statement of Comprehensive Income under *Other revenue.* This amount relates to both operating and capital expenditure incurred up to year end where recoverability is virtually certain. As at the date of this report, expenditure incurred to re-establish operations has not been finalised, and thus the quantum of the insurance claim associated with the Canterbury earthquakes has not been finalised. Public Trust is confident that the majority of expenditure incurred (less any excess) will be recovered from the insurer. The quantum of the full insurance claim is expected to be in the range of $2.6 million to $4.0 million, with the balance expected to be recognised in the 2012 financial year.

Significant judgements included in assessing these amounts include the assessment of there being a virtual certainty of receipt and the mechanism by which it will be recognised through interpretation of the terms and conditions of the insurance policy.

The estimated impact on Public Trust's Statement of Comprehensive Income for the 2011 financial year is set out below:

	$000
Estimated Impact on Statement of Comprehensive Income	
Estimated loss of revenue	(1,100)
Additional operating expenditure	(1,894)
Insurance recovery	1,260
Total impact	**(1,734)**

31 Contingent Asset

As at 30 June 2011 Public Trust has lodged an interim claim with its insurer in relation to the Canterbury earthquakes. Due to the timing of the earthquakes, difficulties with accessing damaged sites, ongoing expenditure in relation to re-establishing operations and interpretation of the terms and conditions of the policy, the quantum of the final claim has not been finalised. The quantum of the full insurance claim is expected to be in the range of $2.6 million to $4.0 million. An interim insurance claim for $1.6 million was made on 3 June 2011 and an interim payment of $0.5 million (including GST) was received from the insurer on 15 July 2011.

Notes to the *Financial Statements (continued)*

For the year ended 30 June 2011

32 Comparison of budget to actual

Assets and liabilities

Liabilities to clients decreased by $13.4 million compared with a budgeted decrease of $70 million. The Common Fund has continued to reduce in size as a result of the strategy to reduce risk along with strong competition for retail deposits.

Revenue

Total revenue was $0.2 million behind budget. Fee revenue was $1 million below budget due to disruption caused by the earthquakes while interest revenue was $0.5 million below budget reflecting competitive pressures. Other income was $1.3 million ahead of budget due to insurance receivables resulting from damage caused by the earthquakes.

Expenses

Expenses were $0.7 million below budget despite $1.9 million of additional costs which were incurred in the recovery from the earthquakes. Depreciation was $0.6 million below budget due to the timing of capital expenditure.

Impairment losses on advances secured by mortgage

Impairment losses were $0.7 million below budget with individual and collective impairment allowances continually being assessed and adjusted to reflect market conditions.

Investment gains

Investment gains were $5.1 million ($0.3 million behind budget) as unrealised investment losses recognised in previous years have continued to reverse due to improvement in credit market conditions. Public Trust policy is to hold securities to maturity with losses recognised in prior years reversing to profit when the investment securities mature.

Profit and equity

Profit before tax is $0.2 million ahead of budget mainly as a result of strong operating performance and lower mortgage impairment losses which have offset the financial impact of the earthquakes. Public Trust has a capital surplus against the current applicable NBDT guidelines which include a temporary partial exemption. Reserves are being built through organic growth and targeted strategies to achieve compliance with full NBDT requirements.

Cash flows

Cash flows from operating activities were close to budget reflecting a lower than budgeted net interest margin resulting from competition in the retail deposit sector offset by lower than budgeted payments to suppliers and employees. Net cash outflows from financing activities were $83.9 million below budget reflecting lower than budgeted client withdrawals. Lower client withdrawals were the primary determinant in cash flows from financing activities being $85.5 million below budget.

33 Events after the Reporting period

There were no material events subsequent to reporting date that would affect the interpretation of the financial statements.

Statement of *Service Performance*

For the year ended 30 June 2011

The statutory mandate under which Public Trust operates requires it to operate as an effective business. Public Trust is also required to exhibit a sense of social responsibility. This aspect of its statutory mandate sets Public Trust apart from its competitors. It means that in addition to the commercial objectives that Public Trust has in common with other providers of trustee services, the roles performed by Public Trust also contribute to important government and social objectives. In particular, many of the products and services provided by Public Trust contribute to the government outcome of ensuring that New Zealanders have access to justice. Public Trust does this through performing the following roles:

- Acting as a supplier of last resort for the provision of fiduciary services where there is no other provider (or the commercial imperative that drives other providers deems their involvement inappropriate);
- Assisting individuals who are not in a position to look after their own affairs (there are 15 separate Acts under which Public Trust performs this role);
- Providing services to those who would otherwise not be able to afford them (for example, administering small estates the value of which is not of interest to other trustee organisations); and
- Helping to define and protect personal property rights.

In many instances, the roles outlined above cannot be provided on a strictly commercial basis; their provision relies on a Crown funding contribution to help offset the costs involved.

It is important to emphasise, however, that Public Trust's contribution to social objectives and government outcomes relating to access to justice is not confined to just those services that are partly Crown-funded. Public Trust's social responsibility obligations are seen by it as a core element of its commercial activities and, in this regard, the roles described above are approached with the same professional and commercial focus given to those services that are provided on a fully commercial basis. The Crown funding that helps to offset the cost of non-commercial services is a relatively small part of Public Trust's overall business; measured in terms of revenue, the non-commercial services account for just under 7% of Public Trust's total business.

For those services that have an element of Crown funding, there is a requirement, through the Statement of Service Performance, to indicate how, and to what extent, these services contribute to the outcome of ensuring access to justice. While it is important to provide this information, Public Trust considers that the contribution it makes needs to be considered in the wider context of the business as a whole. This is because Public Trust's social responsibility objectives are pervasive rather than limited to just those services receiving Crown funding.

The table below provides a sense of the contribution that Public Trust makes, through undertaking the four roles noted above and providing the specific services that are Crown-funded, to the outcome of enabling access to justice.

ROLE	CONTRIBUTION TO ENABLING ACCESS TO JUSTICE
Trustee of last resort	• Public Trust steps in to provide services where other providers are either unable, or unwilling, to provide services • Examples include Public Trust's administrator roles under the Administration Act and Insolvency Act
Assisting individuals not in a position to look after themselves	• Public Trust acts on behalf of minors, the incapacitated and others who are not in a position to look after their own affairs • Much of this work is done under the Protection of Personal and Property Rights Act
Providing services to those who can not afford them	• Public Trust manages small estates and trusts which, because of their small size (less than $100,000), do not generate sufficient commercial returns to make them attractive to other trustee services providers
Defining and protecting personal property rights	• There are numerous statutes under which Public trust is appointed to uphold and in some cases help to define the rights of individuals • Action taken through the courts by Public Trust contributes to development of the law • Preparation of Wills • Grants of Enduring Power of Attorney

Public Trust has an agreement with the Crown, referred to as a Memorandum of Understanding (MoU) which identifies the specific services provided by Public Trust that are Crown-funded. On the following pages, Public Trust reports against the various performance measures which are included in the MoU.

Statement of *Service Performance (continued)*

For the year ended 30 June 2011

Public Trust Outputs

Non-commercial services provided by Public Trust under the output agreement are classified as Provision of Protective Fiduciary Services and are defined as follows:

1. Wills advice and preparation;
2. Non-commercial services with respect to the protection of personal property rights;
3. Advice on behalf of incapacitated persons for the protection of personal property rights;
4. Non-commercial services for the administration of small and/or complex estates and trusts; and
5. Other non-commercial public functions.

Performance criteria are contained in the output agreement. The description of each output and the key performance measures for the year to 30 June 2011 are set out below. Quality and timeliness measures stated in the Statement of Intent refer to general performance criteria only (i.e. that services will comply with legislation, regulatory and industry standards). These are supported by more specific measures for each output in the Memorandum of Understanding. These measures are reported on below.

Output Class: Provision of Protective Fiduciary Services

Output 1: Wills advice and preparation

Description

Advice to New Zealanders on the benefits of Will-making and preparation of a Will if so requested.

Performance criteria

Quantity

PERFORMANCE MEASURE	ACHIEVEMENT
7,705 new Wills made appointing Public Trust as executor.	Achieved. 7,855 new Wills.
13,946 revised Wills made appointing Public Trust as executor.	Achieved. 14,938 revised Wills.

Quality and timeliness

PERFORMANCE MEASURE	ACHIEVEMENT
Standards set through computerised template and documented with current knowledge system. Updated to incorporate any relevant changes to legislation.	Reviewed quarterly. No changes were required in 2010/11.
Internal legal audit of 25 Wills per quarter will be undertaken with an error rate of no more than one requiring rewriting.	Customer Centres are audited annually with each adviser having three wills audited. These are computer chosen on the basis of value of the customer, the age of the customer and the third is completely at random. In 2010/11 Public Trust audited 313 Wills with four requiring re-work.
Customer satisfaction rating of >7.5 (range: 1 = poor, 10 = excellent).	Achieved with a score of 8.1 (independently conducted survey of customer satisfaction).
95% of Wills will be available for signing within seven days of taking instructions.	The increasing complexity of Wills now being produced has placed significant pressure on the ability of Public Trust to achieve this measure. Currently 83% of Wills were available and/or signed within seven days.

Output 2: Protection of Personal and Property Rights Non-Commercial Services

Description

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

Performance criteria

Quantity

PERFORMANCE MEASURE	ACHIEVEMENT
7,000 actions and 6,800 hours administering financial affairs under the Protection of Personal and Property Rights Act.	Achieved. 6,949 actions. Achieved. 8,159 hours.

Quality and timeliness

PERFORMANCE MEASURE	ACHIEVEMENT
Administration of financial affairs: 95% reappointment as Manager following review of management by Family Court.	Achieved. 67 reviews initiated in year. Public Trust expects to be reappointed as Manager in 99% of 67 reviews initiated (Public Trust reappointment has been confirmed in 49 instances with reappointment pending in 17).
Administration of financial affairs: no complaints from relatives and caregivers, relating to individual interests of the beneficiaries.	Achieved. No complaints were received in this category in 2010/11.
Examination of Private Manager Statements: no complaints received for late filing of Private Manager Statements to Courts.	Achieved. 1023 Private Manager examinations completed for year to 30 June 2011. No complaints received from High Court for late filing of examination returns.

Statement of *Service Performance (continued)*

For the year ended 30 June 2011

Output 3: Advice for the Protection of Personal and Property Rights

Description

Advice and research by Public Trust relating to enquiries on behalf of incapacitated persons on matters relevant to the Protection and Personal Property Rights Act 1988 or under Public Trust Agencies where charges to the recipient will not meet the costs of the service.

Performance criteria

Quantity

PERFORMANCE MEASURE	ACHIEVEMENT
1,400 enquiries and 700 hours on behalf of incapacitated persons.	Achieved. 1,489 enquiries and 754 hours spent providing service on behalf of incapacitated persons.

Quality and timeliness

PERFORMANCE MEASURE	ACHIEVEMENT
Complaints from customers will be less than 1% of cases dealt with.	Achieved. No complaints received in this category.
All enquiries will be acknowledged within five working days of receipt. Urgent cases will be responded to within one working day.	Timeliness is not currently monitored; however no complaints were received in these categories. The removal of the timeliness measure is proposed as it is covered off by complaints monitoring and customer satisfaction rating.
95% of complex cases will be actioned within five working days.	

Output 4: Small estates and trusts

Description

Administration of small and/or complex estates and trusts for which reasonable charges do not cover costs. Providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a Will has been made.

Performance criteria

Quantity

PERFORMANCE MEASURE	ACHIEVEMENT
6,300 hours (or corresponding volumes) spent administering small and/or complex estates and trusts administered.	Achieved. 7,796 hours spent administering small and/or complex estates and trusts.
770 hours spent providing advice on small and/or complex estates and trusts.	560 hours spent providing advice on small and/or complex estates and trusts.
840 automated tax returns.	Achieved. 1,072 tax returns completed.

Quality and timeliness

PERFORMANCE MEASURE	ACHIEVEMENT
90% compliance with Public Trust processes, Best Practice standards and Output Agreement Charging Policies – to be assessed by a review process of a random sample of 1% of files per Customer Services Officer per quarter.	Achieved. Random reviews completed of 2% of total Protection of Personal and Property Rights Ministry of Justice contracts with all meeting agreed standards. To ensure compliance with best practice Public Trust relies on suitably qualified and trained staff with appropriate experience with management oversight. Charging is reviewed for compliance as part of checks prior to finalising financial statements.
Beneficiary satisfaction rating of >7.5 (range: 1 = poor, 10 = excellent).	Achieved an overall customer satisfaction rating of 8.1. A specific beneficiary satisfaction measure will be re-introduced in 2011/12.
All enquiries will be acknowledged within five days of receipt.	Timeliness is not currently monitored; however no complaints were received in these categories. The removal of the timeliness measure is proposed as it is covered off by complaints monitoring and customer satisfaction rating.
Urgent cases will be responded to within one working day.	
95% of complex cases will be actioned within five working days.	

Output 5: Administration of assets and other public functions

Description

Representation, audit, review, administration of the assets of missing, unknown or incapable owners arising from Parts 7 & 8 of the Public Trust Act 2001 and several other statutes that represent a public function, for which Public Trust has no prospect of being paid or charges are insufficient to cover costs.

Performance criteria

Quantity

PERFORMANCE MEASURE	ACHIEVEMENT
15 hours spent providing services involving public functions in relation to assets and rights of missing, unknown or incapable persons.	Achieved with 50 hours spent providing services.
10 contracts providing services involving public functions in relation to assets and rights of missing, unknown or incapable persons.	Achieved with 83 contracts.

Quality and timeliness

PERFORMANCE MEASURE	ACHIEVEMENT
98% compliance with agreed mandatory aspects of administration of assets and other public functions.	Not currently measured. Public Trust is investigating options for future measurement.

Outputs 1-5: Location and accessibility

PERFORMANCE MEASURE	ACHIEVEMENT
Staff will be available nationally during normal business hours.	Achieved. Temporary closures of some Customer Centres and the Contact Centre due to the Canterbury earthquakes and adverse weather were well managed using the Public Trust Business Continuity Plan.
Website will be available 24 hours per day with no more than 0.5% downtime.	Achieved. There were no outages or incidents logged for the period.
0800 phone lines available during normal business hours.	Not achieved because of disruptions caused by the Canterbury earthquakes. During the disruption, Public Trust managed the 0800 numbers through a temporary contact centre in Auckland.

Outputs 1-5: Appropriation (GST exclusive)

	ACTUAL 2011 $000	BUDGET 2011 $000	ACTUAL 2010 $000
Revenue received for provision of non-commercial services	4,500	4,500	4,254
Less estimated cost of providing non-commercial services	8,649	8,800	8,626
Cost of providing non-commercial services	4,149	4,300	4,372

ERNST & YOUNG

Audit *Report*

INDEPENDENT AUDITOR'S REPORT TO THE READERS OF PUBLIC TRUST AND GROUP'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2011

The Auditor-General is the auditor of Public Trust and group. The Auditor-General has appointed me, Warren Allen, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and non-financial performance information of Public Trust and group on her behalf.

We have audited:

- the financial statements of Public Trust and group on pages 34 to 98, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of Public Trust and group that comprises the statement of service performance and the report about outcomes on pages 99 to 102.

Opinion

In our opinion:

- the financial statements of the Public Trust and group on pages 34 to 98:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect Public Trust and group's:
    - financial position as at 30 June 2011; and
    - financial performance and cash flows for the year ended on that date.
- subject to exemptions provided by the Crown under Section 143 of the Crown Entities Act 2004, the non-financial performance information of Public Trust and group on pages 99 to 102:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Public Trust and group's service performance and outcomes for the year ended 30 June 2011 including for its class of outputs:
    - the service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
    - the actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 23 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion, which refers to disclosures about the value of unlisted mortgage backed securities, is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we 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 non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non-financial 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 non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of Public Trust and group's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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 Public Trust and group's internal control.

Ernst & Young

Chartered Accountants

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 of Directors;
- the appropriateness of the reported non-financial performance information within the Public Trust and group's framework for reporting performance taking into consideration the exemptions provided by the Crown under Section 143 of the Crown Entities Act 2004;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Disclosures about the value of unlisted mortgage backed securities

In forming our unqualified opinion, we considered the adequacy of the disclosures in Note 24 on page 82 about the value of unlisted mortgage backed securities of $24.6 million for which there is not an active liquid market and for which no quoted price is available. Although the fair value of these investments is based on the best available information, in the absence of an active, liquid market and quoted market prices, a high degree of uncertainty exists about that value which could have a material effect on the Statement of Comprehensive Income and Statement of Financial Position. We consider the disclosures to be adequate.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect Public Trust and group's financial position, financial performance and cash flows; and
- fairly reflect Public Trust and group's service performance and outcomes.

The Board of Directors is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error.

The Board of Director's responsibilities arise from the Crown Entities Act 2004, the Public Trust Act 2001 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments in the areas of auditing Public Trust's managed funds, the provision of assurance services in relation to Public Trust's managed funds prospectus and the completion of certain agreed upon procedures in relation to Public Trust's managed funds, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in Public Trust or any or its subsidiaries.

Warren Allen.

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

23 September 2011

Directory

Shareholders
The Minister of Justice (Hon Simon Power)
and Minister of Finance (Hon Bill English)

Registered Office
Public Trust Corporate Office
141 Willis Street, PO Box 5067, Wellington 6145
Phone +64 4 978 4500 Fax +64 6 978 4460
Email info@publictrust.co.nz
Web www.publictrust.co.nz

Auditor
Ernst & Young, on behalf of the Auditor-General

Solicitors
DLA Phillips Fox

Banker
Bank of New Zealand

Credit Rating Agency
Moody's Investors Service

Board
Trevor Janes, Chair
Robin Hill, Deputy Chair
Candis Craven *(to 31October 2010)*
Rodger Finlay
Sue McCormack
Fiona Oliver
Hinerangi Raumati
Sarah Roberts
Dinu Harry *(from 20 April 2011)*

Executive Leadership Team
Grenville Gaskell, Chief Executive
Ann Brennan, General Counsel Corporate
Ken Reilly, Chief Financial Officer
Grant Brenton, General Manager Marketing
Dennis Church, General Manager Corporate Trusts
Cheryl Crooks, General Manager Human Resources
Simon Dixie, General Manager Operations
Alex Polaschek, General Manager Personal & Business