Public Trust
Annual Report
for the year ended 30 June 2014

with you for generations to come

Public Trust

He aha te mea nui o teni ao?

He tangata!

He tangata!

He **tangata!**

Public Trust is required under the Public Trust Act 2001, to have the principal objective of operating as an effective business, and, to this end:

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

This report has been prepared to meet the requirements of:

- Section 150 of the Crown Entities Act 2004; and
- Public Trust's 2014 Statement of Intent.

It covers the activities for the year ended 30 June 2014. On behalf of the Board we have the pleasure of presenting the annual report of Public Trust for the year 1 July 2013 to 30 June 2014.

Sarah Roberts
Chair

Dinu Harry
Chair, Risk Assurance and Audit Committee

2 October 2014

What is the most important thing in this world?

It is people!

It is people!

It is people!

Contents

Public Trust

Foreword from the Chair

Public Trust is New Zealand's largest and oldest trustee organisation. It was established in 1873, and has been part of Kiwi life for over 140 years. While our principle objective is to operate as an effective business, we are also required to exhibit a sense of social responsibility, which is something very important to us.

For several years Public Trust has been under-performing and we have been implementing a Business Improvement Programme (BIP) to address that underperformance and deliver our Business Plan. We are absolutely clear about the actions we need to take to achieve our goal of making Public Trust an effective, streamlined business that delivers quality customer service and is ultimately profitable.

Over the last year we have made good progress. We have simplified our product offering, de-risked our balance sheet, made significant reductions to our cost base and streamlined processes which are not reliant on technology. Specifically, Public Trust's cost base has reduced by over $7 million since 2012, largely through reducing personnel costs while holding other costs flat. We continue to manage our cost base closely while we invest in revenue raising activity. In the past 18 months we have further reduced the size of the Common Fund and improved its underlying asset quality, resulting in a substantial improvement to our capital position and de-risking of the Common Fund.

We still have considerable work to do, but we have built a solid platform from which to execute our BIP. Investment in IT is critical for Public Trust and we are underway with a substantial IT solution which will be self-funded by the business. Planning for the IT investment has been comprehensive to ensure successful implementation.

In the last year we have seen a change in Chief Executive. We are thankful to Graeme Hansen for his contribution to Public Trust. In December 2013 the Board was delighted to appoint Bob Smith as Chief Executive to focus on implementing the BIP and our Business Plan. Bob was a key consultant in the development of the Business Plan and the IT solution, so he was well placed to take over the position.

In the past 18 months we have further reduced the size of the Common Fund and improved its underlying asset quality, resulting in a substantial **improvement** *to our capital position and de-risking of the Common Fund.*

Public Trust's cost base has reduced by over

$7m

since 2012

Bob has a background in implementing business transformation programmes, with significant experience in the finance and investment sectors, as well as in telecommunications and information technology. His previous roles include his positions as CEO of Southern Cross Building Society and Xtra, and his role as CIO at Telecom responsible for IT and Process Re-engineering.

The Board has been fortunate to have three new members join us within the last year. Together they bring a wealth of experience to the Board and its governance of the business. Diana Puketapu and David Tapsell both joined the Board on 1 November 2013. Subsequent to the 30 June balance date, Lyn Lim joined the Board on 23 July 2014.

The Board farewelled Rodger Finlay on his retirement on 30 June 2014. He had been a Board member since June 2009 during which time he made a significant and valuable contribution to the Board and the business. He will be missed. The Board and the business thank him for his dedicated service.

Public Trust's net surplus after tax was $4.7 million, compared to a budget of $0.1 million, lifting our equity to $42.9 million. Total revenue, although higher than the previous year, reflects the previous de-risking of our balance sheet and continued difficult trading conditions in the personal trust space. Tight cost control, improved quality of the mortgage book, recoveries relating to mortgage losses sustained in previous financial years and the sale of our insurance book contributed to the overall surplus. Pleasingly, underlying the year's result was a $2.3 million operational profit, the first for a number of years.

Our improved equity position and the changes to our balance sheet meant that when Public Trust's exemption to the minimum capital ratio requirement of the Non-Bank Deposit Takers regime expired on 1 December 2013, our capital ratio exceeded the 8% minimum required and at year end was 15.1%.

As we look forward into the next financial year, we are well on the way to achieving our goal for Public Trust. Notwithstanding the challenges we face, we are confident that Public Trust is set on a course of action to improve its position and become a modern, profitable, customer-centric and fit-for-purpose business.

Sarah Roberts
Chair

2 October 2014

Pleasingly, underlying the year's result was a

$2.3m

operational surplus, the first for a number of years.

Report from the Chief Executive

This financial year has been both challenging and exciting. We are working hard on implementing our Business Improvement Programme, and that hard work is paying off. We are on a journey to take advantage of our very real opportunity to be the best provider of Trustee Services in New Zealand, and we are building our platform for future growth. Our two key goals are quite simple: deliver a great customer experience, and achieve core business profitability.

We reached a significant milestone in April when we selected Intergen as our Systems Integrator, to partner with us in implementing our multi-million dollar technology upgrade. Replacing our core technology is a key component to enable our business transformation, and will future-proof the business and remediate existing legacy IT risk. Introducing a new modern technology platform will enable Public Trust to take advantage of the mobile and on-line world, giving us greater national reach and customer service coverage. It means we can broaden distribution while having flexibility around our physical footprint.

Since Intergen's appointment and with their help, we have identified our new IT systems solution, Touchstones's NavOne. NavOne is a world-leading trust and wealth management system developed by UK listed Touchstone and powered by the latest version of Microsoft's leading business software platform – Dynamics NAV 2013. Both Intergen and Touchstone are Microsoft Gold Partners and core to their business is providing solutions that deliver advanced, integrated, scalable and future-proof solutions to increase business efficiency, reduce costs and improve profitability. There are 4,000 users worldwide using NavOne.

In striving for our goal of delivering a great customer experience, we are reviewing our processes, our organisational structure and focusing on training – both technical and service orientated training. These changes, brought together with our new IT solution, will result in the introduction of customer-centric and cost-effective services, resulting in improved productivity, lower operating costs and a reduction in operational risk for the business.

Our two key goals are quite **simple:** *deliver a great customer experience, and achieve core business profitability.*

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

We have a strong, focused and dedicated Executive Team intent on transforming the business, with execution of our Business Plan well under way. In February we were very pleased to appoint Matt Sale as General Manager of our Retail Customers division which accounts for over 70% of our revenue. Matt has worked in senior leadership positions for over ten years, in a variety of roles across New Zealand, Europe and Australia. He has significant experience in creating and leading business realignment and cultural changes that deliver better results for staff, customers and stakeholders.

Increasing our revenue is essential to our future success. Our core business is estate planning, through providing Wills and Enduring Powers of Attorney, and Estate administration through our Retail Customers division. Our Business Customers division supports our investment function and our business customers, including farms, Fee Protect and Charitable Trusts. Through our Corporate Trustee Services (CTS) division we provide premier trustee services and leading prudential independent supervisory oversight to the New Zealand corporate market. Each of these three key revenue generating divisions is well placed to take advantage of revenue growth opportunities by increasing market share, targeting profitable segments and improving awareness.

Revenue initiatives for our largest division, Retail Customers, include both marketing campaigns and the development of new products, which will see us partnering with other business organisations as we explore different ways of going to market with our core services. In Business Customers, our Charitable Trusts business will launch a new fund which will provide a cost effective way for people to donate money for general charitable purposes without the need to set up a separate (and costly) infrastructure. CTS has experienced steady year on year growth (with funds under management having tripled since 2008), and has identified other opportunities for further growth – including opportunities arising as a result of regulatory change and developments in the market. CTS is focusing on scalability to ensure it is positioned to take advantage of those opportunities.

After over 140 years, Public Trust continues to have a valuable role to play in New Zealand. I am confident that we will be the best provider of Trustee Services in New Zealand, and we are investing appropriately in the organisation to meet the demands of today's modern environment. Our time is now.

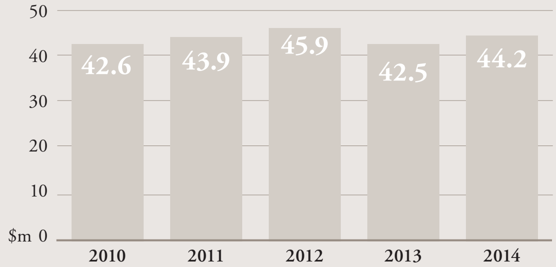
Bob Smith
Chief Executive

2 October 2014

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

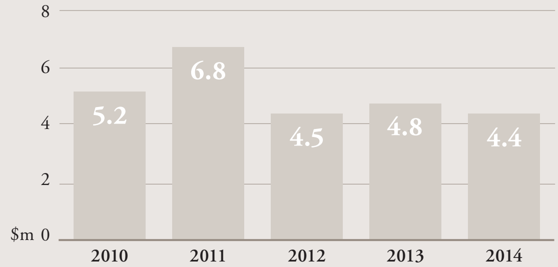
Key trends

Total fee revenue ($m)



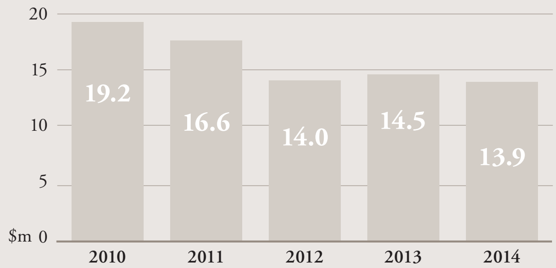
Total fee revenue was ahead of last year driven by increases in corporate trustee and investment services revenue.

Strategic change costs ($m)



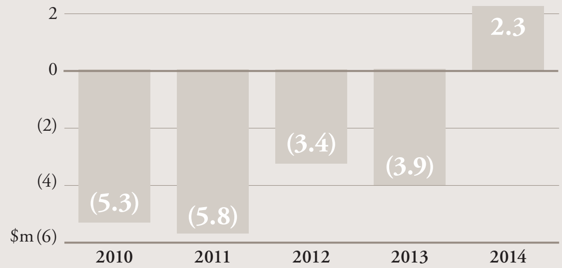
Strategic change costs include the Business Improvement Programme, implementation of a new HRMIS, implementation of a new investment management strategy and a desktop upgrade.

Common fund revenue ($m)



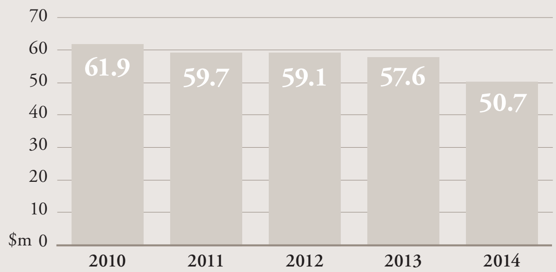
Common Fund revenue was lower than last year reflecting planned changes in the investment risk profile and the size of the fund.

Operational profit (loss) ($m)



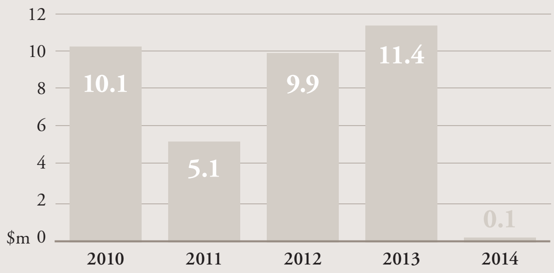
The operational result was $6.2 million better than last year. This was due to increased corporate trustee fee revenue, reduced operating costs and the reversal of mortgage provisions, partly offset by the reduction in Common Fund revenue. The operational result includes total revenue, operating costs, strategic costs and reversal of mortgage losses.

Operating costs ($m)



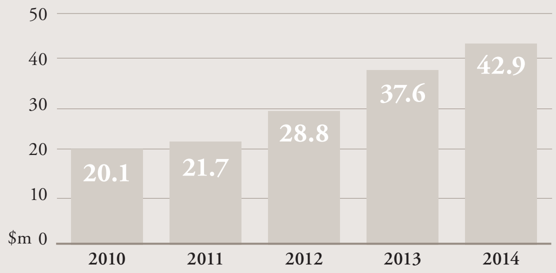
Operating costs reduced compared to last year as a result of Business Improvement Programme restructuring which has reduced employee numbers.

Investment gains ($m)



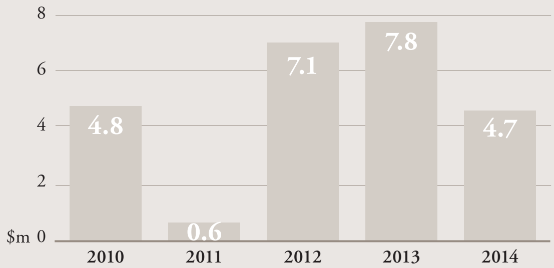
Investment gains in 2013 and 2014 resulted from the reversal of previously recognised unrealised investment losses following the sale of high risk legacy assets. The majority of these legacy assets were sold in 2013 with the remaining securities sold in 2014. This has significantly reduced the risk position of the Common Fund.

Equity ($m)



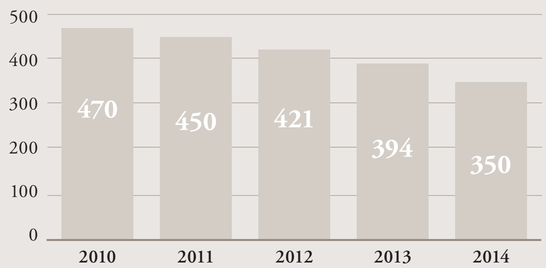
The equity position increased by $5.3 million from last year reflecting the net profit after tax for the year.

Net profit after tax ($m)



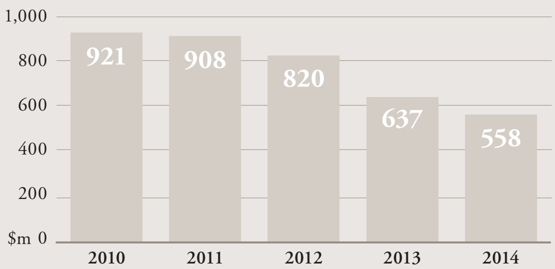
The movement in net profit after tax compared to last year was due to lower investment gains, partially offset by improved operational performance.

Number of employees (Full time equivalents)



Employee numbers have decreased due to Business Improvement Programme restructuring efforts and exiting some business activities that were not core to the business.

Total assets ($m)



Total assets decreased compared to last year driven by a planned reduction in the size of the Common Fund.

The graphs for Operational Profit (Loss) and Strategic Change costs are based on management accounting definitions used for internal reporting. This information is presented for performance reporting purposes and does not directly correspond to the consolidated financial statements within the annual report which have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

Who we are

Our business

Public Trust is New Zealand's largest and oldest trustee organisation.

We provide comprehensive, enduring trustee and estate management services, including:

- Wills and Enduring Powers of Attorney (EPAs)
- Estate management
- Trusts (personal and charitable)
- Personal management services
- Fee Protect
- Investment services for fiduciary customers
- Corporate Trustee Services

Estate planning and administration

Estate planning and administration services are central to what we do. We administer more estates than any other organisation in New Zealand, and we are the single largest provider of Wills in New Zealand.

Trustee services

We have a long history of permanency in the provision of trustee services.

We offer a variety of trustee services to our retail customers that safeguard assets and ensure there are plans in place for future generations.

We also work with business and corporate customers, including charitable trusts and term estates. We act as independent trustee for other investment schemes, through our Corporate Trustee Services business.

We safeguard student fees on behalf of private training establishments through our 'Fee Protect' services.

Investment services

We provide investment management services to our customers through a range of funds that we manage. We also provide an investment advice service that covers third party funds, direct securities and real assets, as well as our own funds. From April 2014, these services are available only to customers for whom we are acting in certain fiduciary capacities.

Deposits in the Common Fund are government guaranteed. We also offer fixed term deposits for our fiduciary customers.

Personal management services

Our personal management services are tailored to help people manage their financial and property matters. This could include, for example, paying bills, managing bank accounts, buying or selling assets, arranging home repairs and applying for pensions.

Non-commercial protective fiduciary services

The Public Trust Act 2001 requires us to be as efficient as comparable businesses that are not owned by the Crown. However, we also provide services for the Ministry of Justice. These are known as non-commercial protective fiduciary services.

Under our Act, we are required to exhibit a sense of social responsibility in undertaking our activities. We must ensure that all New Zealanders have access to effective and efficient last resort fiduciary protective services. In this role, we have these responsibilities:

Act as Trustee of Last Resort – various statutes require us to provide fiduciary services when there is no other provider, or other providers are deemed to be inappropriate.

Assistance – we assist individuals who are not in a position to look after their own affairs. There are 15 statutory Acts where we act on behalf of those unable to look after their own affairs. In many cases Public Trust is the sole designated provider.

Protective Fiduciary Services – we provide services to those who otherwise could not afford them. Protective fiduciary services are focused on funded services for customers with low liquid assets or low value estates where the value is insufficient to sustain normal commercial charges.

Protect Personal Property Rights – we help to define and protect personal property rights. We act to minimise costs associated with ill-defined property rights.

Our people

Workplace Profile

Total Employees as at 30 June 2014	**350**
Gender	
Women	62%
Men	38%
Ethnicity	
NZ European	72%
Other Ethnicity	21%
Maori	3%
Pacific Peoples	2%
Not declared	2%
Disability	6.4%
Age	
20-29	7%
30-39	14%
40-49	36%
50-59	27%
60+	16%
Part- time	6.9%

Organisation capability

Good employer

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

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

In 2013/14 the focus of our human resources plan has been to create an organisational structure for the future, which clarifies accountabilities and removes internal silos. Through this we've defined our customer-centred performance culture to support our people to deliver high quality customer service and a resulting increase in profitability for Public Trust. Our human resources plan also focuses on delivering change management capability in advance of our business improvement programme.

Leadership

Leadership development continues to be a priority and over the last half of the year we've refreshed our strategy and approach to developing our leaders of people. This has started with the roll-out of a programme of interactive training workshops that will continue throughout the year. This programme is aimed at up-skilling and supporting our people leaders to be effective in their role as a manager and leader of their people. The emphasis is on the annual performance planning and review cycle and the necessary qualities and competencies that an effective leader requires.

Recruitment, selection and induction

We continue to follow our strategy for recruitment that we refreshed in 2012/13. This allows us to have fast, thorough and targeted processes which mean we can focus on recruiting the skills and capability we need to deliver our strategy and Business Plan.

We have managed our level of recruitment very carefully, advertising 30 permanent roles this year. Internal candidates filled 16 of those roles.

Development, remuneration and recognition

Public Trust remains dedicated to investing in the development of our people. Over the last half of the year we've focused our attention on supporting and up-skilling our leaders of people, so they remain effective as a primary means of knowledge-sharing and line-of-sight to our strategy and direction. We continue to use the performance assessment process we introduced the previous year which focuses on consistent customer-focused behaviour, and we have further refined it for use in the 2014/15 performance year. We have a clear and transparent framework for management decision-making about what we reward and why, which is available to all employees through a career map published on our intranet.

Our remuneration strategy remains fiscally responsible and has enabled Public Trust to align to the market and to reward for performance.

Flexibility and work design

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

Internal communication

Effective communication remains a priority for Public Trust and is a key area of focus of our 2014/15 Business Plan. All internal communications are aligned to our strategy and business plans, and provide line-of-sight to our immediate deliverables and future aspirations.

Our intranet remains well used and effective as a primary communications channel across Public Trust. Further work to enhance its operation has recently been completed.

Public Trust ran it's employee engagement survey just prior to year end and is using the results to inform action planning at all levels of the organisation focused on improving employee engagement.

Health *and* safety

The health and safety of our staff and customers is paramount. Over the year we have completed an independent review of our Health and Safety Framework. We have updated our Health and Safety Policy and we have put in place a clear Executive-sponsored action plan that covers all aspects of health, safety and wellness, to ensure we comply with new legislation. Our focus over the 2014/15 year will be to increase understanding of the policy via targeted and ongoing organisation specific communications and education.

In 2013/14 we had 42 reported incidents of low to moderate severity of which 33 have been resolved and 9 remain outstanding.

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

"Thank you so much for your caring, we found our dealings with you and the Public Trust to be **professional,** *understanding and compassionate"*

What we do

Our operating environment

The global and domestic economies

We have been in existence for over 140 years. Throughout this history we have carried out our principal role of providing comprehensive and enduring estate and trustee management services despite fluctuations of economic expansion and contraction, and through periods of war and other hardships.

Although the most recent financial crisis peaked in 2009, the after-effects are lingering and continue to prove challenging. Consequently, the global economic outlook remains subdued, with the debt crisis in Europe persisting. The U.S. recovery is still sporadic and lacks any real momentum.

The recovery of the domestic economy is uneven, although the Canterbury rebuild and growth in Auckland are expected to provide some uplift. Global policies will continue to play a key role in influencing New Zealand interest rates.

As a result of finance company defaults and other confidence-sapping events and the global financial crisis, the public's appetite for risk remains guarded. Consumers are looking for an organisation that can deliver value for money, transparency and, most importantly, is trustworthy.

"Public Trust explained everything really clearly, it was all pretty **straight forward** *from there"*

Demographic and social trends

New Zealand's population continues to age and life expectancy and the average age of retirement have increased. However, our ageing population is more active, better informed and increasingly technologically savvy. Growth in internet use is strong, and will increase with improved broadband accessibility and performance.

Increasingly, New Zealanders expect to conduct their affairs electronically and that service providers will offer greater flexibility.

We are responding to these changing expectations. At the same time, there are sensitive aspects to the nature of our business that will continue to require intimate and often face-to-face relationships with customers. We will be flexible in our approach to accommodate these needs.

Regulatory environment

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

The Financial Markets Conduct Act, which is currently being phased in, will result in changes to how we offer some of our financial services, and will require ongoing review and consultation to ensure we are meeting our obligations to our customers, particularly in the corporate trustee space. The Law Commission has completed the first stage of its review of trusts which is now being analysed by the Government. It is anticipated that analysis of the Commission's recommendations will take some time to complete. The Government has also signalled its intention to overhaul privacy law, and intends to conduct consultation on details of the proposals before introducing a Bill to Parliament.

Meeting our strategic objectives

To achieve the transformation of Public Trust and ensure it operates as an effective business as required under our Act, the organisation needs to work together as a whole. Our strategic objectives will enable us to effectively address our responsibilities in relation to prudent management, financial viability, good employer and social responsibility under the Public Trust Act. Our strategic objectives are:

- Be a simplified and focused business
- Be relevant and effective in how we attract and service customers
- Improve productivity and profitability and be commercially aware
- Streamline processes to improve efficiencies
- Invest in IT and systems to de-risk the business and to allow more flexible and efficient service delivery.

In the last year we have significantly simplified our business and we are now focused on the core business. Figure 1 below summarises the goals for business areas, along with required outcomes and related activity.

Overall Goal	Public Trust is a relevant and profitable business, delivering quality customer service	
Business Goals	**Goal**	**Activity**
Customer Experience	Improve the quality of customer service delivery	Resolve process and structure inefficiencies, enabling staff to be more accountable
Culture	Build and support a customer-centric, performance-focused and commercially aware culture	Develop a culture change programme supported by communication and performance reporting; Develop talent management programme
Revenue	Ensure a stable revenue base for core profitability	Grow revenue through increasing market share and targeting profitable segments, improving brand awareness, and neutralising declining fees
Costs	Reduce the cost base and maintain a lower cost structure	Reduce and contain costs through improved efficiency and productivity; Implement premises and FTE plans
Corporate Trustee Services	Implement a growth and retention strategy to maximise opportunities	Pursue growth opportunities; Continue to retain and increase market share; Address revenue risks
Business Improvement Programme	Re-engineer the core business	Implement the Target Operating Model and build platform to profitably scale the business

Figure 1: Public Trust's Strategic Objectives

Governance

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

"We eagerly wish to express our utmost gratitude to the Public Trust of New Zealand for the highly efficient, professional, **empathetic** *and, most assuredly, trusted and friendly manner with which you have discharged your obligations according to the terms expressed in the Last Will and Testament"*

Role of the Board

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

The Board and its members are responsible for supervising or directing the management of the affairs of Public Trust. They appoint the Chief Executive, delegate to the Chief Executive appropriate authority for the day-to-day management of Public Trust, and monitor 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 ban in the Public Trust Act 2001 on the Chief Executive being a member of the Board. In addition to providing leadership to and effective management of the Board, the Board Chair acts as the primary interface between the Board and the Chief Executive and management.

The Board provides the Minister of Justice with formal reports on a quarterly basis.

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

Board committees

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

Membership of the Committees is set out below. Committee members named were members of the applicable Committee for all or part of the year to 30 June 2014. Members of the Board whose term ended during the year are also noted.

Risk, Assurance and Audit Committee (RAAC) to 30 June 2014

Dinu Harry (Chair)

Sarah Roberts (ex officio)

Rodger Finlay (from 23 August 2013)

Fiona Oliver (from 23 August 2013)

Diana Puketapu (from 22 November 2013)

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

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

The RAAC meets a minimum of four times a year. Management, counsel and external and internal auditors attend on request.

Board policy is that non-audit services for Public Trust may not be undertaken for, or sought from, the organisation's external auditors without prior RAAC approval.

Investment Committee to 30 June 2014

Rodger Finlay (Chair)

Sarah Roberts (ex officio)

Dinu Harry (until 22 November 2013)

Sue McCormack (until 22 November 2013)

Fiona Oliver

David Tapsell (from 22 November 2013)

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

- the Common Fund and Public Trust managed funds;
- customer financial assets (including farms and commercial property) where Public Trust is acting as the investment adviser; and
- the free working capital of Public Trust.

Due Diligence Committee to 30 June 2014

Sue McCormack (Chair)

Sarah Roberts (ex officio)

Dinu Harry

Diana Puketapu (from 22 November 2013)

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

Governance and Remuneration Committee to 30 June 2014

Fiona Oliver (Chair)

Sarah Roberts (ex officio)

Sue McCormack

David Tapsell (from 22 November 2013)

The Governance and Remuneration Committee meets a minimum of three times a year. The committee assists and advises the Board to fulfil its corporate governance responsibilities in relation to the:

- governance and management of the Board's business including through its committees;
- performance of the Board and its committees;
- appointment and remuneration of the Chief Executive and the management of his or her performance;
- human resources strategy; and
- consultation with the Chief Executive on appointment of members of the Executive team, including terms and conditions of employment.

Board members

as at 2 October 2014

Sarah Roberts – Chair

LLB (Hons), MInstD

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

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

Fiona Oliver – Deputy Chair

BA, LLB, MInstD

Board Member since November 2009, Deputy Chair since November 2013. Chair of the Investment Committee. Member of Governance and Remuneration and Risk, Assurance and Audit Committees.

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

Dinu Harry

BBusS, FCA (PP), MInstD

Board Member since April 2011. Chair of the Risk, Assurance and Audit Committee. Member of the Due Diligence Committee.

Dinu is a Chartered Accountant with extensive governance, business, and accounting and financial management experience in the public, private and not-for-profit sectors. He is a director of Bertelsen Harry Waters Limited, and has extensive 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), where he was a member of the Board and Chair of the Council. He has also served on the National Public Practice Committee and Practice Review Board and was President of NZICA in 2010. For a number of years he was a tutor at Massey University in first and second year Financial and Management Accounting and enjoys helping students develop a passion for the profession. He was also until recently Chair of the Audit and Risk Management Committee and a member of the Council of Unitec Institute of Technology, Auckland, positions he held for over six years.

Huei Min (Lyn) Lim

LLB(Hons), MInstD

Board Member since July 2014. Member of the Investment and Governance and Remuneration Committees

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

Sue McCormack
BA, LLB, MInstD

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

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

Diana Puketapu
NDA, CA

Board Member since November 2013. Member of the Risk, Assurance and Audit and Investment Committees.

Diana is a chartered accountant and company director who has held a number of Chief Financial Officer roles, both in New Zealand and overseas. Her most recent role was as CFO at Ngati Whatua o Orakei Corporate Ltd which manages substantial land and business interests in central Auckland. She is currently on the boards of Auckland Council Investments Ltd, World Masters Games 2017 (Auckland), the Unitec Advisory Board for Accounting and Finance, and Aotearoa Credit Union.

David Tapsell
LLB, MInstD

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

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

During the financial year, Rodger Finlay retired from the Board. He was a Board Member from June 2009 to June 2014.

as at 2 October 2014

Executive team

Bob Smith

BCom, MInstD

Chief Executive since December 2013

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

Dennis Church

BBS, MBA, CA, MInstD, CFIP

General Manager Corporate Trustee Services

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

Mike Creamer

BE, MBA

General Manager Business Implementation

Mike joined Public Trust in January 2013 in a new role with specific responsibility for implementing our business improvement programmes and leading the systems and process change initiatives.

Prior to joining Public Trust, Mike spent many years working at a senior level across a range of industries. His skill lies in leading large teams of people, with particular expertise and strengths in service transformation and the delivery of complex and challenging projects.

Martin Jones

BCA, CA

Financial Controller

Martin has been Financial Controller since July 2013. He was previously the Public Trust Finance Manager/ Head of Finance, a role he had held since 2003. He is a Chartered Accountant and a member of Chartered Accountants Australia & New Zealand. Martin joined Public Trust in 1992. He has worked in senior financial management roles in both the trustee and transport sectors. Martin's experience includes management of financial and management reporting systems, administration and financial control over a range of managed funds and management of the finance function, including board and audit committee reporting.

Jan O'Neill
BSc

General Manager Human Resources

Jan started at Public Trust in November 2013. As General Manager Human Resources, she is responsible for all people related matters and providing leadership around culture, capability and performance. Jan has over 25 years' experience spanning all aspects of Human Resources with particular expertise in organisational design and development, culture change, remuneration and performance management. Jan has held the senior HR role in several leadership teams and most recently been the Executive responsible for Human Resources at one of New Zealand's largest corporates.

Matt Sale
BCom, (DipGrad) Finance

General Manager Retail Customers

Matt joined Public Trust in February 2014 in a newly created position responsible for leading our customer facing Retail Customers teams. Matt has worked in senior leadership positions for over ten years in a variety of roles across New Zealand, Europe and Australia. He has significant experience in creating and leading business realignment and cultural changes that deliver better results for staff, customers and stakeholders.

Liz Style
LLB, LLM

General Manager Governance & Risk

Liz started at Public Trust in June 2013. She has extensive commercial, legal and operating experience at a senior level, and has held roles as General Counsel and as Chief Operating Officer, in addition to many years spent in private legal practice. Liz's previous commercial experience includes, project management, change management, mergers and acquisitions, corporate structure and governance.

Monique Twort
BBS

General Manager Business Customers

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

During the financial year, Graeme Hansen resigned as Chief Executive. He was Chief Executive from August 2012 to December 2013.

Financial information

Contents

Statement of
Service Performance

Under the Public Trust Act 2001, Public Trust is required to operate as an effective business and to exhibit a sense of social responsibility in fulfilling its obligations. Public Trust contributes to the Justice sector outcome of enabling access to justice through providing quality protective fiduciary services. Public Trust provides services to people who are not well placed to look after their own affairs and/or to people who are unlikely to have their needs met by private sector trustee organisations. The services provided by Public Trust align with the Crown's expected outcomes in relation to the accessibility of the justice system to all who require it.

Access to justice

Justice services that are available to all members of the public are a requirement of a fair and democratic society. To achieve the 'accessible justice services' outcome (Figure 2), the services provided by Public Trust need to be accessible to the public and satisfy their requirements on both quality and timeliness. Public Trust must also be able to provide services in an effective and efficient manner.

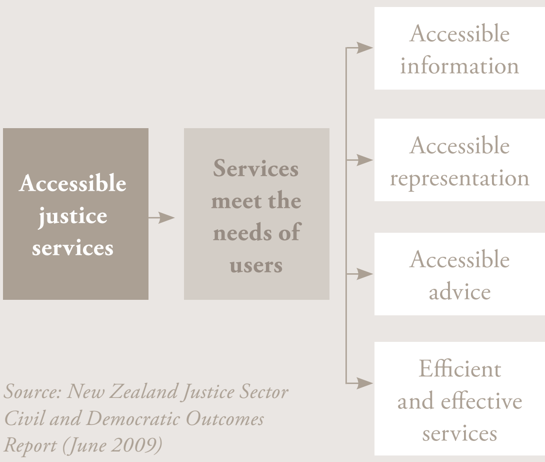


Figure 2: Accessible Justice Outcome

Public Trust's contribution

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

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

The linkages between what Public Trust does (its services) and the outcome are shown in Figure 3.

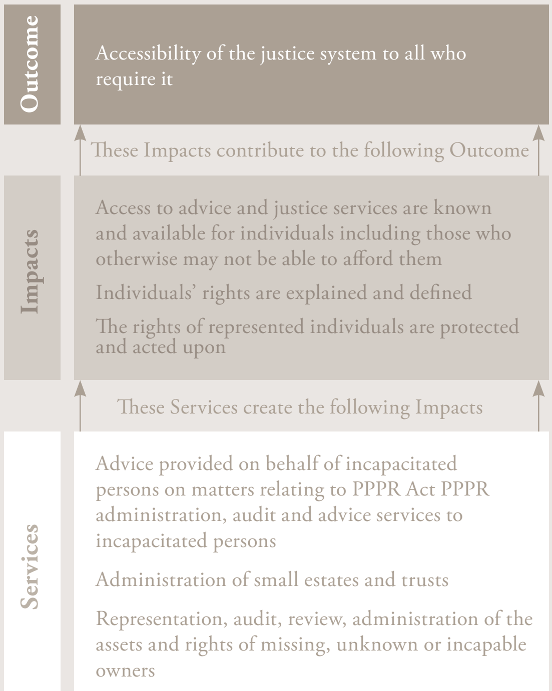


Figure 3: Public Trust Services and Outcomes

Each year, Public Trust and the Crown (acting through the Minister of Justice) enter into an Agreement under which the Crown purchases a range of non-commercial protective fiduciary services. Under the Agreement, non-commercial protective fiduciary services are paid for by the Crown to ensure that, among other things, reasons of affordability do not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs. Payment of these services is managed by the Ministry of Justice on behalf of the Crown.

Outcomes

The services provided by Public Trust impact:

- Accessible justice services.

The intermediate outcomes for Public Trust are:

- Access to quality justice services is known and available
- Individuals' rights are explained and defined
- The rights of represented individuals are protected and acted upon.

Services

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

- Service 1 (Wills advice, preparation and promotion), previously provided by Public Trust, is not one of the services to be delivered under the current Agreement.
- Service 2: Providing Protection of Personal Property Rights Act 1988 (PPPR Act) administration, audit and advice services to incapacitated persons, or under Public Trust agencies
- Service 3: Advice and research relating to inquiries provided on behalf of incapacitated persons on matters relating to the PPPR Act, or under Public Trust agencies
- Service 4: Administration of small and/or complex estates and trusts, including providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a Will has been made
- Service 5: Representation, audit, review or administration of assets and rights of missing, unknown, incapable or insolvent owners and other public functions.

Access to quality justice services is known and available

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

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

Performance measure	*Achievement*
Overall customer satisfaction > 80%	**89%** ***AC Nielsen Customer Experience survey February 2014***
Overall Beneficiary Satisfaction >50%	**52%** ***AC Nielsen Customer Experience survey February 2014***

- We continue to maintain a mix of channels through which the public and others can easily access Public Trust and its services.

Performance measure	*Achievement*
Nationwide network of Public Trust offices available during business hours	***Public Trust operates out of 24 full time and 14 by appointment sites spread across the country.***
0800 customer line available during business hours with <5 hours unavailable	***Achieved*** ***No closure recorded in 2013/14***
Website available with <40 hours downtime	***Achieved*** ***No reported outages of the Public Trust website over 2013/14***

Individuals' rights are explained and defined

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

- Our people have the right technical/legal knowledge and can effectively apply and communicate that knowledge to our customers
- We provide the right advice
- We have the policies, systems and processes in place to support the delivery of high quality and consistent advice and our internal quality assurance processes indicate these are working as intended
- We receive enquiries from organisations and other professionals because we are recognised as being an authoritative source of advice.

Public Trust is currently funded to provide advice on matters relevant to the PPPR Act 1988[1] or assist with PPPR agencies where the recipient cannot meet the charges of the service.

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

The rights of represented individuals are protected and acted upon

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

- By the number of people who we protect directly in actively protecting their rights
- By the number of people we help to protect indirectly through PPPR manager audits and providing the Courts with guidelines aimed at ensuring the quality of PPPR managers.

A third indicator is when the outcome of cases we are involved in helps to clarify the law relating to the protection of peoples' rights. Measurement of this will be through the development of case studies, as and when appropriate.

Service 1:
Wills advice, preparation and promotion

Previously provided by Public Trust, this is not one of the services to be delivered under the current Agreement.

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

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

Performance measure	*Achievement*
6232 actions administering the financial affairs of incapacitated persons under the Protection of Personal and Property Rights Act.	***Achieved*** ***6417 actions administering the financial affairs of incapacitated persons***

Quality and timelines

Criteria	*Objective*	*Achievement*
Compliance with all relevant legislation and court orders	All services comply with Court Orders, PPPR legislation	Achieved: Performance in these areas is monitored through the Quarterly Compliance Declarations signed by all relevant managers.
Compliance with Public Trust Best Practice Standards and Public Trust's Social Responsibility Policy	All services provided at an appropriate quality and in a timely manner	
Any complaints managed in a professional and timely manner	All formal complaints dealt with under the established Public Trust complaints procedure	

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

Quantity

Performance measure	*Achievement*
1442 enquiries to provide services and advice on behalf of incapacitated persons	***Not achieved*** ***1368 enquiries*** ***Levels of demand and actual service requirements are variable***

Quality and timelines

Criteria	*Objective*	*Achievement*
Compliance with Public Trust Best Practice Standards and Public Trust's Social Responsibility Policy	All services provided at an appropriate quality and in a timely manner	Achieved: Performance in these areas is monitored through the Quarterly Compliance Declarations signed by all relevant managers.
No substantiated cases of Public Trust failing to act on a query about an incapacitated person	Public Trust advice available to managers of PPPR incapacitated individuals	
Any complaints managed in a professional and timely manner	All formal complaints dealt with under the established Public Trust complaints procedure	

Service 4:
Administration of small and/or complex estates and trusts, including providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a Will has been made.

Quantity

Performance measure	*Achievement*
8000 hours to manage and advise on small estates and trusts	***Not achieved*** ***5025 hours spent managing and advising on small estates and trusts***
700 tax returns prepared for small estates and trusts	***Achieved*** ***846 tax returns completed***

Quality and timelines

Criteria	*Objective*	*Achievement*
Compliance with all relevant legislation and court orders	All services comply with Court Orders and relevant legislation	Achieved: Performance in these areas is monitored through the Quarterly Compliance Declarations signed by all relevant managers.
Compliance with Public Trust Best Practice Standards and Public Trust's Social Responsibility Policy	All services provided at an appropriate quality and in a timely manner	
Effective advice & assistance regarding intestacies for small estates	Public Trust advice & assistance available to the beneficiencies of small estates	
Any complaints managed in a professional and timely manner	All formal complaints dealt with under the established Public Trust complaints procedure	

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

Quantity

Performance measure	*Achievement*
40 hours spent providing services to missing, unknown, incapable or insolvent owners and other public functions	***Achieved*** ***81 hours spent providing services***

Quality and timelines

Criteria	*Objective*	*Achievement*
Compliance with all relevant legislation and court orders	All services comply with Court Orders and relevant legislation	Achieved: Performance in these areas is monitored through the Quarterly Compliance Declarations signed by all relevant managers.
Compliance with Public Trust Best Practice Standards and Public Trust's Social Responsibility Policy	All services provided at an appropriate quality and in a timely manner	
Effective control of funds received and distributed, and efficient administration of assets referred for management	All services provided at an appropriate quality and in a timely manner	
Interests of missing or incapable owners fully represented and properly safeguarded in compliance with relevant legislation	All services provided at an appropriate quality and in a timely manner	
Any complaints managed in a professional and timely manner	All formal complaints dealt with under the established Public Trust complaints procedure	

Revenue and expenses

Performance measure	*Actual*	*Forecast*
Revenue received for provision of non-commercial services	$3,278,000	$3,278,000
Estimated cost of providing non-commercial services	$3,302,141	$3,278,000

Report on

Statement of Intent

for the year ended 30 June 2014

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

	2012/13 ACTUAL	2013/14 ACTUAL	2013/14 TARGET[6]	2014/15 TARGET[7]
Ownership perspective				
Profit (Loss) after Tax for the year ($000)[1]	7,770	4,750	142	232
Return on equity[2]	23.4%	11.8%	0.5%	0.6%
Capital Ratio[3]	8.0%	15.1%	7.8%	>11%
Distributions to Crown	Nil	Nil	Nil	Nil
Efficiency and effectiveness perspective				
Cost to Income ratio[4]	98.4%	88.3%	91.0%	93.0%
Capability perspective				
Employee engagement[5]	Deferred	29%	35%	35%
Customer perspective				
Customer satisfaction[6]	7.6	8.9	8.0	8.2

1. 2012/13 and 2013/14 include one off investment gains and other recoveries.
2. Return on Equity is surplus / (deficit) (including investment gains / (losses) after tax divided by the average of opening and closing equity. This ratio includes the benefit of tax losses.
3. Capital Ratio is calculated in accordance with the Non-Bank Deposit Takers' Regulations.
4. Total Expenses (including mortgage losses and excluding strategic change costs) / Revenue (excluding investment gains/losses). The method of calculation has changed from 2013/14 onwards. Previously this measure was calculated as Total Expenses (excluding mortgage losses and excluding strategic change costs) / Revenue (excluding investment gains/losses).
5. Independent annual survey of employee engagement completed by IBM during May 2014. The 2012/13 employee engagement survey was deferred pending restructuring and related consultation processes.
6. Independently conducted survey of customer satisfaction (1 = poor; 10 = excellent), measured by AC Nielsen, with an average of 1,000 respondents.
7. Source: 2014/16 Statement of Intent.
8. Source: 2015/18 Statement of Intent.

Funds under Management

as at 30 June 2014

Public Trust has responsibility for funds under management, including fiduciary responsibility for trusts under management and trusts under supervision.

The following table details the assets under management or supervision.

	2012 ACTUAL $M	2013 ACTUAL $M	2014 ACTUAL $M
Fiduciary assets			
Funds under management			
Common Fund	775	578	497
Managed Funds	470	406	371
Assets under management	2,784	2,790	2,971
Funds under supervision	38,116	42,133	46,058

Statement of Responsibility

as at 30 June 2014

The Board of Public Trust accepts responsibility for the preparation of the financial statements and Statement of Service Performance and for the judgements in them. The judgements applied in the preparation of the financial statements are reported in the Notes to the Financial Statements.

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

In the opinion of the Board of Public Trust, the financial statements and Statement of Service Performance for the year ended 30 June 2014 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Sarah Roberts

Chair

Dinu Harry

Chair, Risk Assurance and Audit Committee

2 October 2014

Statement of Financial Position

as at 30 June 2014

	Notes	GROUP ACTUAL 2014 $000	UNAUDITED GROUP BUDGET 2014 $000	GROUP ACTUAL 2013 $000	PARENT ACTUAL 2014 $000	PARENT ACTUAL 2013 $000
Assets						
Cash and cash equivalents	*5*	25,671	61,135	72,697	25,474	72,348
Investment securities	*6*	438,363	369,483	420,582	438,363	420,582
Derivative financial instruments	*7*	81	1,502	378	81	378
Advances to clients		4,614	5,236	4,521	4,614	4,521
Trade receivables & Work in progress	*8*	7,008	7,711	7,050	6,661	6,582
Due from subsidiary	*33*	-	-	-	215	287
Advances secured by mortgage	*9*	70,421	85,000	119,154	70,421	119,154
Total financial assets		546,158	530,067	624,382	545,829	623,852
Sundry receivables	*10*	80	84	72	80	72
Prepayments		633	1,048	643	633	644
Current tax	*11*	243	240	241	242	241
Property, plant & equipment	*12*	5,967	8,200	7,905	5,967	7,905
Intangibles	*13*	4,925	3,902	4,087	2,420	1,582
Investments in subsidiaries	*14*	-	-	-	4,654	4,654
Total assets		**558,006**	**543,541**	**637,330**	**559,825**	**638,950**
Liabilities						
Liabilities to clients - at call or short term		406,143	401,500	428,489	406,143	428,489
Liabilities to clients - term deposits	*16*	90,680	100,000	149,218	90,680	149,218
Prepaid estate administration	*17*	344	420	403	344	403
Total liabilities to clients		497,167	501,920	578,110	497,167	578,110
Trade payables	*18*	3,387	2,398	8,270	3,262	8,149
Other payables	*19*	1,817	1,422	2,582	1,818	2,582
Derivative financial instruments	*7*	7,338	4,177	5,192	7,338	5,192
Prepaid income		90	791	132	-	-
Employee benefits	*20*	4,262	4,568	4,329	4,262	4,329
Provisions	*21*	1,090	672	1,092	1,090	1,092
Loan from subsidiary	*33*	-	-	-	8,892	8,193
Total liabilities		**515,151**	**515,948**	**599,707**	**523,829**	**607,647**
Equity						
Contributed equity		90,174	90,174	90,174	90,174	90,174
Cash flow hedging reserve		(280)	(1,212)	(762)	(280)	(762)
Retained earnings		(47,039)	(61,369)	(51,789)	(53,898)	(58,109)
Total equity	*22*	**42,855**	**27,593**	**37,623**	**35,996**	**31,303**
Total liabilities plus equity		**558,006**	**543,541**	**637,330**	**559,825**	**638,950**

For and on behalf of the Board, who authorised the issue of the financial statements on 2 October 2014.

Sarah Roberts

Chair

Dinu Harry

Chair, Risk Assurance and Audit Committee

Statement of Changes in Equity

for the year ended 30 June 2014

	Notes	GROUP ACTUAL 2014 $000	UNAUDITED GROUP BUDGET 2014 $000	GROUP ACTUAL 2013 $000	PARENT ACTUAL 2014 $000	PARENT ACTUAL 2013 $000
Equity at the start of the year		**37,623**	**27,318**	**28,828**	**31,303**	**23,269**
Comprehensive income						
Other comprehensive income						
- movement in cash flow hedging reserve		482	133	1,025	482	1,025
Profit (loss) after tax		4,750	142	7,770	4,211	7,009
Total comprehensive income		5,232	275	8,795	4,693	8,034
Equity at the end of the year	*22*	**42,855**	**27,593**	**37,623**	**35,996**	**31,303**

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Notes	GROUP ACTUAL 2014 $000	UNAUDITED GROUP BUDGET 2014 $000	GROUP ACTUAL 2013 $000	PARENT ACTUAL 2014 $000	PARENT ACTUAL 2013 $000
Revenue						
Revenue from financial instruments						
Interest from interest bearing securities		17,954	18,543	21,092	17,954	21,092
Interest from advances secured by mortgage		5,757	5,889	9,193	5,757	9,193
		23,711	24,432	30,285	23,711	30,285
Less: Interest expense		9,804	10,744	15,785	9,998	15,986
		13,907	13,688	14,500	13,713	14,299
Fees and commission revenue		43,458	41,862	40,773	41,625	38,809
Less: Fees and commission expense		2,517	2,850	2,034	2,484	1,978
Other revenue		1,705	340	1,794	2,745	2,784
Revenue from the Crown	33	3,278	3,277	3,802	3,278	3,802
Revenue before expenses	**30**	**59,831**	**56,317**	**58,835**	**58,877**	**57,716**
Expenses						
Employee benefits	30	34,360	34,266	37,868	34,360	37,868
Operating lease costs		4,292	3,779	3,468	4,292	3,468
Depreciation	12	1,994	2,145	1,900	1,994	1,900
Amortisation of intangibles	13	650	500	574	650	574
Net losses on disposals of property, plant & equipment and intangibles		331	100	75	331	75
Impairment losses on property, plant & equipment and intangibles	13	-	-	1,187	-	1,187
Impairment losses on advances secured by mortgage	9	(1,156)	783	96	(1,156)	96
Other expenses	30	14,677	15,564	17,247	14,471	17,185
Total expenses		**55,148**	**57,137**	**62,415**	**54,942**	**62,353**
Net gains on financial instruments	30	67	962	11,350	67	11,350
Profit (loss) before tax for the year		**4,750**	**142**	**7,770**	**4,002**	**6,713**
Tax expense (benefit)	31	-	-	-	(209)	(296)
Profit (loss) after tax for the year		**4,750**	**142**	**7,770**	**4,211**	**7,009**
Other comprehensive income						
Items that may be reclassified to profit and loss:						
Movement in cash flow hedging reserve	22	482	133	1,025	482	1,025
Total comprehensive income for the year		**5,232**	**275**	**8,795**	**4,693**	**8,034**

Statement of Cash Flows

for the year ended 30 June 2014

	Notes	GROUP ACTUAL 2014 $000	UNAUDITED GROUP BUDGET 2014 $000	GROUP ACTUAL 2013 $000	PARENT ACTUAL 2014 $000	PARENT ACTUAL 2013 $000
Cash flows from operating activities						
Fees and other revenue		47,975	45,479	44,903	47,134	44,031
Interest revenue		22,394	24,432	30,045	22,394	30,045
Taxation		(2)	-	(11)	295	(11)
Payments to suppliers and employees		(55,363)	(55,760)	(59,848)	(55,173)	(59,711)
Interest expense		(10,635)	(10,744)	(18,027)	(10,829)	(18,228)
Net GST expense		(752)	(700)	(995)	(752)	(994)
Cash flows from operating activities before changes in trading investments		**3,617**	**2,707**	**(3,933)**	**3,069**	**(4,868)**
Net flows from trading investments		-	-	-	-	-
Net cash flows from operating activities	*32*	**3,617**	**2,707**	**(3,933)**	**3,069**	**(4,868)**
Cash flows from investing activities						
Net flows from non-trading investments		31,371	68,953	217,210	31,371	217,210
Sale of property, plant & equipment		8	-	7	8	7
Purchase of property, plant & equipment		(801)	(2,945)	(2,465)	(801)	(2,465)
Purchase of intangibles		(1,082)	(215)	(626)	(1,082)	(626)
Net cash flows from investing activities		**29,496**	**65,793**	**214,126**	**29,496**	**214,126**
Cash flows from financing activities						
Net (payments to) /receipts from clients		(80,139)	(68,500)	(192,803)	(79,439)	(192,207)
Net cash flows from financing activities		**(80,139)**	**(68,500)**	**(192,803)**	**(79,439)**	**(192,207)**
Net increase (decrease) in cash and cash equivalents		**(47,026)**	**-**	**17,390**	**(46,874)**	**17,051**
Cash and cash equivalents at beginning of the year		72,697	61,135	55,307	72,348	55,297
Cash and cash equivalents at the end of the year	*5*	**25,671**	**61,135**	**72,697**	**25,474**	**72,348**

Statement of Commitments

as at 30 June 2014

Commitments to be met by Public Trust are as follows:

	2014 $000	2013 $000
Analysis of non-cancellable lease commitments		
Payable within 1 year	2,485	3,421
Payable after 1 year and within 5 years	3,346	4,321
Payable after 5 years	275	45
	6,106	**7,787**

Operating leases

Public Trust sublet two properties during the year (2013: two). Both subleases terminated during the 2014 year. The income received during the year from sublet properties was $64,190 (2013: $127,500).

Public Trust's significant operating leases are for premises and motor vehicles.

The majority of premises leases have renewal terms with the rental reviewed on a two or three year cycle on their renewal dates. 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 annually.

Other Commitments

	2014 $000	2013 $000
Purchase of property, plant & equipment	-	24
Purchase of intangible IT assets	-	-
Other non-cancellable commitments	932	-
	932	**24**

Public Trust has other non-cancellable commitments totalling $931,944 for services contracted to its Business Improvement Platform.

Public Trust, in connection with its mortgage lending activities, has commitments to a value of $4.9 million to provide funding under undrawn revolving credit facilities and approved but undrawn applications (2013: $5.8 million).

Statement of Contingent Liabilities

as at 30 June 2014

In June 2012 Public Trust recognised a contingent liability in relation to a prior interpretation of the terms of a trust deed. The matter relates to whether the Official Assignee is entitled to a member's KiwiSaver contribution in the event of the member's bankruptcy. As at 30 June 2014 this matter is unresolved and under discussion between the Trustee Industry and the Official Assignee and is likely to be tested through the courts in 2015. The potential liability is estimated at $170,000 (2013: $170,000).

Notes to the

Financial Statements

for the year ended 30 June 2014

1. General information

Public Trust is a body corporate established in New Zealand by the Public Trust Act 2001 (the 2001 Act), and includes those liabilities defined as the Common Fund by the 2001 Act. The Public Trust Group (the Group) comprises Public Trust (the Parent) and its subsidiaries.

Public Trust is a Crown Entity for the purposes of the Crown Entities Act 2004 and is domiciled in New Zealand. Public Trust's ultimate parent is the New Zealand Crown. Public Trust is an issuer for the purposes of the Financial Reporting Act 2013. In accordance with the requirements of these statutes, separate financial statements for the Parent and consolidated financial statements for the Group are prepared.

The activities and assets of Group Investment Funds managed by the Parent are not included except for cash balances held in the Common Fund, and to the extent that the Parent invests 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 within the Group's financial statements as the Group does not control these funds and trusts.

2. Basis of preparation

These financial statements are for the year ended 30 June 2014. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards.

Comparatives

The comparatives presented are for the year ended 30 June 2013.

Certain comparative figures within the notes to the financial statements have been re-classified to align with the current period presentation. Additional information is provided in the relevant note where the re-classifications are material to an understanding of the financial statements.

Measurement basis

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit and loss and derivatives, which have been measured at fair value.

Functional and presentation currency

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

Budget

The budget figures are not audited.

Use of judgements and estimates

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

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

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

- Note 8 – Trade receivables and Work in progress
- Note 9 – Advances secured by mortgages
- Note 13 – Intangibles
- Note 15 – Deferred tax asset
- Note 17 – Prepaid estate administration
- Note 21 – Provisions
- Note 26 – Credit risk
- Note 28 – Fair value

3. Accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements, and have been consistently applied by Group entities, except for the initial application of new standards, amendments to standards or interpretations. The following new and amended standards have been adopted during the year:

NZ IFRS 10 *Consolidated Financial Statements*
The new control model adopted with NZ IFRS 10 has been applied to all separate entities connected with the Group in determining that all existing consolidated and unconsolidated entities remain consolidated and unconsolidated respectively. New narrative disclosures for the Group's consolidated entities replace the previous tabular format in the re-named Note 14 Interests in Other Entities.

NZ IFRS 12 *Disclosure of Interests in Other Entities*
The application of NZ IFRS 12 has resulted in new narrative disclosures about the judgements made in applying the new control model and the Group's interests in unconsolidated structured entities as detailed in the re-named Note 14 Interests in Other Entities.

NZ IAS 27 *Separate Financial Statements*
NZ IAS 27 was re-issued as a stand-alone standard covering the preparation of the Parent's financial statements. All the Parent's existing measurement and disclosure presentations continue without amendment in compliance with the new standard.

NZ IFRS 13 *Fair Value Measurement*
The adoption of NZ IFRS 13 has resulted in additional narrative disclosure on the valuation methodologies used to measure the fair value of the Group's financial instruments. A new table Fair Values Disclosed compares the carrying value with fair value for financial instruments carried at amortised cost where the fair value is not approximated by the instrument's carrying value. This replaces the previous tables for all financial instruments. These new and additional disclosures are provided in Note 28 Fair Value.

Amendment to NZ IFRS 7 *Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities*
The application of this amendment provides, in Note 26 Credit risk, additional disclosures on the Group's exposure to and rights from set-off arrangements for its affected financial instruments. New tables are included that illustrate the effect of these arrangements at the reporting date by relevant financial instrument type and by counterparty exposure.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Public Trust and its subsidiaries as at and for the year ended 30 June 2014.

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

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

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

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

Financial instruments

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

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

Offsetting financial instruments

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

3. Accounting policies (continued)

Recognition and derecognition

All regular way purchases and disposals of financial instruments are accounted for on a trade date basis.

Financial assets are derecognised when the Group neither retains the risks and rewards of ownership nor controls the contractual rights to the cash flows arising from them.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Effective interest rate method

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

Financial assets at fair value through profit or loss

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

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

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

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

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

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

Gains and losses on these financial instruments arise where their fair value on 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.

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

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

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

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

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 gain or loss on financial instruments.

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

Receipts or payments on maturity of forward rate agreements are recognised in interest revenue.

Derivative financial instruments designated as hedging instruments – cash flow hedges

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

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

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

Derivative financial instruments designated as hedging instruments – fair value hedges

Derivative financial instruments, whose purpose is to match the changes in fair value of long-dated term deposit liabilities 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 hedging instrument, together with any changes in fair value of the relevant (hedged) risk of the term deposit liabilities are recognised in profit or loss.

When a hedging instrument expires or is sold, the hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, the resulting adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to maturity of the instrument hedged.

Loans and receivables

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

Financial assets in this category include:

- cash and cash equivalents;
- term deposits;
- advances to clients;
- trade receivables;
- work in progress;
- due from subsidiary (Parent financial statements); and
- advances secured by mortgage.

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

Gains and losses on these financial assets 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.

Cash and cash equivalents

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

Investment securities

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

Advances to clients

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

3. Accounting policies (continued)

Trade receivables

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

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

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

Work in progress

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

Advances secured by mortgage

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

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

Impairment of loans and receivables (other than Advances secured by Mortgage)

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

An impairment loss is recognised when there is objective evidence that future cash flows from the asset will decline from the previous expected levels. The amount of any impairment is measured as the difference between the asset'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 asset through an impairment allowance account.

Impairment of Advances secured by mortgage

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

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

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

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 asset through a collective impairment allowance account.

Financial liabilities at fair value through profit or loss

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

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

Term deposit liabilities – subject to fair value hedges

Term deposits liabilities 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 include:

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

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

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

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

Foreign currency transactions

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

Property, plant & equipment

Property, plant & equipment are 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 the case of fixtures and fittings installed in leasehold properties, the useful life is 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 the end of each financial year 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.

Subsequent to 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 recognised in profit or loss.

Intangible assets

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

Goodwill

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

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

Intangible IT assets

Intangible IT assets comprise computer software that is not integral to the operating systems of computer and server equipment. These are classified as finite life intangible assets that are initially recognised at the cost necessary to bring the software to the condition intended for functionality.

3. Accounting policies (continued)

Until the intangible IT assets are at this level of functionality, costs are accumulated as capital work in progress. Once the software is capable of functionality, the cost is amortised over its estimated useful life of three to five years using the straight-line method.

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

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

Impairment of non – financial assets other than goodwill

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Any impairment losses are recognised in profit or loss.

Impairment of goodwill

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

Goodwill has been allocated to the Corporate Trustee Services cash generating unit (CGU), being the lowest level of asset group for which there are separately identifiable cash inflows. Impairment testing is done using a discounted cash flows model. Further details on the methodology and assumptions used are outlined in note 13.

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 reporting date. This is carried at the cash amount necessary to settle the obligation.

Sick leave

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

Long-service leave

Provision is made for long-service leave benefits on an actuarial basis. Projected cash flows are estimated in accordance with both national and entity experience. The resulting projected cash flows are discounted in accordance with market yields on New Zealand

Government bonds as at the reporting date.

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 the 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 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.

3. Accounting policies (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Fee revenue

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

Fees

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

Revenue from the Crown

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

Presentation of cash flows

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

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

Commitments

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

Application of accounting standards

The following new standards have been issued but not yet effective for the year ended 30 June 2014, and have not been applied in preparing these financial statements:

NZ IAS 32 Financial Instruments: Presentation – Amendments for Offsetting Financial Assets and Financial Liabilities: effective for annual reporting periods beginning on or after 1 January 2014. These amendments will be applied initially in the financial statements for the year ending 30 June 2015.

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the NZ IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 12 Disclosure of Interests in Other Entities, NZ IAS 27 Separate Financial Statements – Amendments for Investment Entities: effective for annual reporting periods beginning on or after 1 January 2014. These amendments will be applied initially in the financial statements for the year ending 30 June 2015. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. The amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with *NZ IFRS 9 Financial Instruments* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in *NZ IFRS 12* and *NZ IAS 27.*

NZ IFRIC 21 Levies: effective for annual reporting periods beginning on or after 1 January 2014. This interpretation will be applied initially in the financial statements for the year ending 30 June 2015. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

NZ IAS 36 Impairment of Assets – Amendments for Recoverable Amount Disclosures for Non-Financial Assets: effective for annual reporting periods beginning on or after 1 January 2014. These amendments will be applied initially in the financial statements for the year ending 30 June 2015. The amendments remove the requirement introduced by *NZ IFRS 13 Fair Value Measurement* to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives.

Additionally, the amendments require disclosure of additional information to harmonise disclosure requirements between value in use and fair value less costs of disposal.

NZ IAS 39: Financial Instruments: Recognition and Measurement – Amendments for Novation of Derivatives and Continuation of Hedge Accounting: effective for annual reporting periods beginning on or after 1 January 2014. These amendments will be applied initially in the financial statements for the year ending 30 June 2015.

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendment specifies the criteria to be met in order to apply the exception and requirements for novations that do not meet the exception criteria.

NZ IFRS 9 (2009) Financial Instruments: effective for annual periods beginning on or after 1 January 2017. This standard will initially be applied in the financial statements for the year ending 30 June 2018.

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 2017. This standard will initially be applied in the financial statements for the year ending 30 June 2018.

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 9 (2013) Financial Instruments: effective for annual periods beginning on or after 1 January 2017. This standard will initially be applied in the financial statements for the year ending 30 June 2018.

The requirements for hedge accounting were added to the standards as issued in 2009 and 2010. The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles based approach to hedge accounting and addresses inconsistencies and weaknesses in the hedge accounting model in NZ-IAS 39 *Financial Instruments: Recognition and Measurement.*

NZ IFRS 15: Revenue from Contracts with Customers: effective for annual periods beginning on or after 1 January 2017. This standard will initially be applied in the financial statements for the year ending 30 June 2018.

NZ IFRS 15 establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

This standard replaces the current financial reporting standards for revenue recognised from the sale of goods, provision of services, construction contracts, customer loyalty programmes, transfers of assets from customers, and barter transactions. The core principle of *NZ IFRS 15* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Applying the standard will require an entity to:

- Identify its contract(s) with a customer
- Identify its performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The adoption of NZ IFRS 9 and NZ IFRS 15 in future periods is likely to significantly impact recognition, measurement and disclosures. The adoption of the other amendments to standards in future periods is likely to have a lesser impact. Public Trust will be undertaking work to quantify the financial impact of these new standards.

4. Supplementary information

Crown guarantee

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

The guarantee on capital for those deposits is provided by Section 52 of the Public Trust Act 2001 (the Act) and is not time-limited. The interest on client deposits is covered by a Government guarantee provided under Section 65ZD of the Public Finance Act 1989 and is effective until the date the Act is amended to remove any doubt that the guarantee in Section 52 of the Act applies to both capital and accrued interest or such date as the Government revokes the guarantee regarding the interest by notice in writing to Public Trust.

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

5. Cash and cash equivalents

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Cash and bank	9,431	12,936	9,234	12,587
Money market deposits at call	16,240	59,761	16,240	59,761
	25,671	**72,697**	**25,474**	**72,348**

6. Investment securities

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Designated at fair value through profit or loss				
Interest bearing securities				
Local authorities	17,788	-	17,788	-
Banks	-	26,268	-	26,268
State owned enterprises	7,970	-	7,970	-
NZ Government mixed ownership	3,993	-	3,993	-
Mortgage backed securities	2,707	33,925	2,707	33,925
Corporates	61,016	51,072	61,016	51,072
	93,474	111,265	93,474	111,265
Loans and receivables				
Term deposits				
Banks	327,589	289,167	327,589	289,167
Corporates	17,300	20,150	17,300	20,150
	344,889	309,317	344,889	309,317
	438,363	**420,582**	**438,363**	**420,582**

7. Derivative financial instruments

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Assets				
Interest rate swaps				
Held for trading	-	2	-	2
Cash flow hedge accounted	81	354	81	354
Fair value hedge accounted	-	20	-	20
Forward rate agreements - held for trading	-	2	-	2
	81	**378**	**81**	**378**
Liabilities				
Interest rate swaps				
Held for trading	-	339	-	339
Cash flow hedge accounted	7,338	4,849	7,338	4,849
Forward rate agreements - held for trading	-	4	-	4
	7,338	**5,192**	**7,338**	**5,192**

8. Trade receivables & Work in progress

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Accrued interest	62	56	62	56
Crown	626	666	626	666
Receivables of uncertain timing	2,689	2,416	2,689	2,416
Less: Collective impairment allowance	(858)	(268)	(858)	(268)
Fees receivable	1,236	1,035	1,224	959
Less: Collective impairment allowance	(104)	(68)	(104)	(68)
Work in Progress	3,357	2,937	3,022	2,545
Other	-	276	-	276
	7,008	**7,050**	**6,661**	**6,582**
Collective impairment allowance - Receivables of uncertain timing				
Opening balance	(268)	(79)	(268)	(79)
Charge for year	(590)	(189)	(590)	(189)
	(858)	**(268)**	**(858)**	**(268**
Collective impairment allowance - Fees receivable				
Opening balance	(68)	-	(68)	-
Charge for year	(36)	(68)	(36)	(68)
	(104)	**(68)**	**(104)**	**(68)**

For significant judgements, estimates and assumptions applied refer to Note 26 Credit risk.

9. Advances secured by mortgage

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Gross value	73,774	123,941	73,774	123,941
Less: Individual impairment allowance	(2,783)	(3,744)	(2,783)	(3,744)
Less: Collective impairment allowance	(570)	(1,043)	(570)	(1,043)
	70,421	**119,154**	**70,421**	**119,154**
Individual impairment allowance				
Opening balance	(3,744)	(7,816)	(3,744)	(7,816)
Charge for the period	(90)	(2,167)	(90)	(2,167)
Bad debts written off	215	5,518	215	5,518
Unused allowance reversed	836	721	836	721
Closing balance	**(2,783)**	**(3,744)**	**(2,783)**	**(3,744)**
Collective impairment allowance				
Opening balance	(1,043)	(2,407)	(1,043)	(2,407)
Unused allowance reversed	473	1,364	473	1,364
Closing balance	**(570)**	**(1,043)**	**(570)**	**(1,043)**

For significant judgements, estimates and assumptions applied refer to Note 24 Interest rate risk and Note 26 Credit risk.

10. Sundry receivables

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Resident withholding tax	-	6	-	6
Other	80	66	80	66
	80	**72**	**80**	**72**

11. Current tax

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Opening balance	241	230	241	230
Cash received (paid)	2	11	1	11
	243	**241**	**242**	**241**

Refer to Note 31 for the tax expense (benefit) reconciliation.

12. Property, plant & equipment

GROUP & PARENT	PLANT, FURNITURE AND FITTINGS 2014 $000	IT EQUIPMENT AND OPERATING SOFTWARE 2014 $000	CAPITAL WORK IN PROGRESS 2014 $000	TOTAL 2014 $000
Cost				
Opening balance	14,332	6,374	2,604	23,310
Additions	189	227	692	1,108
Capital work in progress capitalised	376	1,847	(2,222)	1
Transfer from/(to) intangible assets	-	-	(421)	(421)
Disposals	(3,047)	(1,732)	(144)	(4,923)
Closing balance	**11,850**	**6,716**	**509**	**19,075**
Accumulated Depreciation				
Opening balance	(10,202)	(5,203)	-	(15,405)
Depreciation for the year	(1,027)	(967)	-	(1,994)
Disposals	2,734	1,557	-	4,291
Closing balance	(8,495)	(4,613)	-	(13,108)
Carrying value of property, plant & equipment	**3,355**	**2,103**	**509**	**5,967**

GROUP & PARENT	PLANT, FURNITURE AND FITTINGS 2013 $000	IT EQUIPMENT AND OPERATING SOFTWARE 2013 $000	CAPITAL WORK IN PROGRESS 2013 $000	TOTAL 2013 $000
Cost				
Opening balance	14,130	5,928	2,966	23,024
Additions	298	50	2,848	3,196
Capital work in progress capitalised	94	613	(707)	-
Transfer from/(to) intangible assets	37	(51)	(2,293)	(2,307)
Disposals	(227)	(166)	(210)	(603)
Closing balance	**14,332**	**6,374**	**2,604**	**23,310**
Depreciation				
Opening balance	(9,292)	(4,521)	-	(13,813)
Depreciation for the year	(1,100)	(800)	-	(1,900)
Disposals	190	118	-	308
Closing balance	(10,202)	(5,203)	-	(15,405)
Carrying value of property, plant & equipment	**4,130**	**1,171**	**2,604**	**7,905**

13. Intangibles

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Intangible IT assets				
Cost				
Opening balance	11,906	9,492	11,906	9,492
Additions	14	107	14	107
Transfers from Intangibles in development	421	2,307	421	2,307
Disposals	(678)	-	(678)	-
Closing balance	**11,663**	**11,906**	**11,663**	**11,906**
Accumulated amortisation & impairment				
Opening balance	(10,324)	(8,563)	(10,324)	(8,563)
Amortisation for the year	(650)	(574)	(650)	(574)
Disposals	663	-	663	-
Impairment	-	(1,187)	-	(1,187)
Closing balance	**(10,311)**	**(10,324)**	**(10,311)**	**(10,324)**
Net carrying value at 30 June	**1,352**	**1,582**	**1,352**	**1,582**
Intangibles in development				
Opening balance	-	-	-	-
Additions	1,068	-	1,068	-
Transfers from/(to) property plant & equipment	421	-	421	-
Transfers to Intangible IT assets	(421)	-	(421)	-
Closing balance	**1,068**	**-**	**1,068**	**-**
Goodwill arising on acquisition				
Opening and closing balance	2,505	2,505	-	-
Carrying value of intangibles	**4,925**	**4,087**	**2,420**	**1,582**

Goodwill has been allocated to the Corporate Trustee Services cash generating unit (CGU), being the lowest level of asset group for which there are separately identifiable cash inflows. Goodwill allocated to Corporate Trustee Services is 100% of the Group's total carrying amount of goodwill. Goodwill was tested for impairment during the year with key judgements and assumptions as follows:

- The recoverable amount of the CGU was $7,865,000 (2013: $4,796,000) calculated on the basis of value in use, using a discounted cash flows model. The resultant gross value was allocated to the various physical and intangible assets.
- Future cash flows were projected out five years, based on the approved business plans for the years ending 30 June 2015 to 30 June 2019, with key assumptions being funds under supervision, business development initiatives, and operating costs.
- Fee revenue was assumed to remain consistent with the 2014 fee revenue adjusted for changes in funds under supervision over the projected period. Management determined budgeted contribution margin based on past performance and its expectations of market development.
- Growth assumptions taking into account the competitive nature of the market have been applied.
- A pre-tax discount rate of 17.8% (2013: 16.7%) was applied to compute present value.

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

14. Investments in subsidiaries

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

Consolidated Subsidiaries

- Trading subsidiary – New Zealand Permanent Trustees Limited (NZPT) – licensed trustee. The carrying value of NZPT as at 30 June 2014 is $4.65m (June 2013: $4.65m).
- Non-trading companies – subsidiaries are non-trading and have no assets or liabilities.
- Nominee companies – subsidiaries are nominee companies established to undertake business either on behalf of corporate trustee clients in a fiduciary capacity or Public Trust for its managed funds operation. The assets and liabilities are held under trust and there is no impact on the Group's financial performance, financial position or cash flows.

All subsidiaries are 100% owned.

Unconsolidated Structured Entities

- Managed funds – as part of its service offering to customers, Public Trust operates a number of group investment funds, established under the Public Trust Act 2001, to meet investment management needs of customers. At balance date they were 44 funds in operation with unit holders' funds of $371m. Risk lies with the unit holders of the funds. Public Trust receives management and administration fees under the terms of the trust deeds as set out in Note 33 – Related parties.
- Special purpose vehicles – unconsolidated subsidiaries of NZPT. The shareholdings in these entities are held in a fiduciary capacity on behalf of the beneficial owners. These entities are incorporated for a narrow, well defined objective and operate within contractual financial and operating policies that NZPT does not have power to alter. Risk lies with the beneficial owner. NZPT receives a predetermined fixed fee directly from the beneficial owner for the fiduciary services provided.

There is no intention to provide financial support to these entities, and none has been provided in the past.

15. Deferred tax

GROUP	STATEMENT OF FINANCIAL POSITION 2014 $000	STATEMENT OF FINANCIAL POSITION 2013 $000	PROFIT OR LOSS 2014 $000	PROFIT OR LOSS 2013 $000
Deferred tax asset				
Receivables of uncertain timing	478	366	112	(49)
Trade receivables allowance for impairment loss	236	365	(129)	365
Individual impairment allowance for advances secured by mortgage	779	1,048	(269)	(1,140)
Collective impairment allowance for advances secured by mortgage	160	292	(132)	(382)
Other trade payables	33	35	(2)	(10)
Employee benefits	1,297	1,244	53	(249)
Remedial work and litigation provision	202	255	(53)	193
Vacant space provision	-	19	(19)	(161)
Property, plant & equipment and intangibles	669	1,127	(458)	668
Prepaid estate administration	24	33	(9)	(3)
Recognised in profit or loss	**3,878**	**4,784**	**(906)**	**(768)**
Unrelieved losses	14,346	15,039		
Net deferred tax asset	**18,224**	**19,823**		
Net deferred tax asset not allowed for	**(18,224)**	**(19,823)**		
Net deferred tax asset recognised	**-**	**-**		
Net deferred tax asset not allowed for				
Opening balance	(19,823)	(21,628)		
Recognised in profit or loss	771	481		
Recognised in cash flow hedging reserve (other comprehensive income)	135	287		
Release of utilised loss	693	1,037		
Closing balance	**(18,224)**	**(19,823)**		

15. Deferred tax (continued)

PARENT	STATEMENT OF FINANCIAL POSITION 2014 $000	STATEMENT OF FINANCIAL POSITION 2013 $000	PROFIT OR LOSS 2014 $000	PROFIT OR LOSS 2013 $000
Deferred tax asset				
Receivables of uncertain timing	478	366	112	(49)
Trade receivables allowance for impairment loss	236	365	(129)	365
Individual impairment allowance for advances secured by mortgage	779	1,048	(269)	(1,140)
Collective impairment allowance for advances secured by mortgage	160	292	(132)	(382)
Other trade payables	33	35	(2)	(10)
Employee benefits	1,297	1,244	53	(249)
Remedial work and litigation provision	202	255	(53)	193
Vacant space provision	-	19	(19)	(161)
Property, plant & equipment and intangibles	669	1,127	(458)	668
Prepaid estate administration	24	33	(9)	(3)
Recognised in profit or loss	**3,878**	**4,784**	**(906)**	**(768)**
Unrelieved losses	14,346	15,039		
Net deferred tax asset	**18,224**	**19,823**		
Net deferred tax asset not allowed for	**(18,224)**	**(19,823)**		
Net deferred tax asset recognised	**-**	**-**		
Net deferred tax asset not allowed for				
Opening balance	(19,823)	(21,628)		
Recognised in profit or loss	771	481		
Recognised in cash flow hedging reserve (other comprehensive income)	135	287		
Release of utilised loss	484	741		
Release of utilised loss - transferred to subsidiary	209	296		
Closing balance	**(18,224)**	**(19,823)**		

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 set 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 the reporting date, the recent history of operating losses and the timing of future operating profits means there is insufficient certainty to justify carrying a deferred tax asset (2013: $nil).

16. Liabilities to clients – term deposits

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Term deposits	90,680	146,082	90,680	146,082
Term deposits subject to hedging	-	3,123	-	3,123
Fair value adjustment for term deposits subject to hedging	-	13	-	13
	90,680	**149,218**	**90,680**	**149,218**

17. Prepaid estate administration

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

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

The inflation rate used in the estimation of the liability, in excess of the amount included in the Common Fund, is consistent with the annual CPI inflation rate. This was 2.5% as at 30 June 2014 (2013: 2.5%). The estimated future cash flows are discounted at the 10 year rate of the New Zealand Government Bond yield curve of 4.4% at 30 June 2014 (2013: 3.8%). The discounted liability is included in other payables.

The carrying value of this liability as at 30 June 2014 is $344,000 (June 2013: $403,000)

18. Trade payables

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Trade creditors and accrued expenses	3,259	2,855	3,134	2,734
Capital creditors	-	5,275	-	5,275
Other	128	140	128	140
	3,387	**8,270**	**3,262**	**8,149**

19. Other payables

	Notes	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Withholding taxes payable		213	218	213	218
Fringe benefit tax		40	40	40	40
Goods and services tax		103	235	103	235
Lease incentives		-	21	-	21
Employees and employee related		1,363	1,287	1,364	1,287
Prepaid estate administration	*17*	86	119	86	119
Crown payable		12	662	12	662
Other		-	-	-	-
		1,817	**2,582**	**1,818**	**2,582**

20. Employee benefits

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Annual leave	1,434	1,386	1,434	1,386
Sick leave	29	50	29	50
Long-service leave	2,389	2,523	2,389	2,523
Performance incentive payments	410	370	410	370
	4,262	**4,329**	**4,262**	**4,329**

The calculation of long-service leave assumed a salary increase of 3.0% (2013: 3.0%). An additional 1% increase in salary would increase the provision by $172,000 (2013: $183,000).

21. Provisions

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Restructuring				
Opening balance	114	95	114	95
Additions	1,437	1,048	1,437	1,048
Amount applied	(1,101)	(776)	(1,101)	(776)
Reversal of provision not used	(80)	(253)	(80)	(253)
Closing balance	**370**	**114**	**370**	**114**
Remedial work and litigation				
Opening balance	910	222	910	220
Additions	252	737	252	737
Amount applied	(26)	(47)	(26)	(47)
Reversal of provision not used	(416)	(2)	(416)	-
Closing balance	**720**	**910**	**720**	**910**
Vacant space				
Opening balance	68	643	68	643
Amount applied	(68)	(83)	(68)	(83)
Movement in discount	-	25	-	25
Reversal of provision not used	-	(517)	-	(517)
Closing balance	**-**	**68**	**-**	**68**
Total	**1,090**	**1,092**	**1,090**	**1,092**

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 (2013: $nil).

Vacant space

The vacant space provision recognises the cost of leases of surplus premises through to the conclusion of the leases. As at 30 June 2014, all Public Trust's premises are fully utilised in its business operations.

For the provision recognised in 2013, the future minimum payments (undiscounted) until final maturity date are included within the comparative period analysis of non-cancellable lease commitments in the Statement of Commitments.

22. Equity

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Contributed Equity				
Opening and closing balance	**90,174**	**90,174**	**90,174**	**90,174**
Retained earnings				
Opening balance	(51,789)	(59,559)	(58,109)	(65,118)
Profit (loss) after tax	4,750	7,770	4,211	7,009
Closing balance	**(47,039)**	**(51,789)**	**(53,898)**	**(58,109)**
Cash flow hedging reserve				
Opening balance	(762)	(1,787)	(762)	(1,787)
Net (losses) gains from changes in fair value	229	942	229	942
Transferred to profit or loss	253	83	253	83
Movement in cash flow hedging reserve	482	1,025	482	1,025
Closing balance	**(280)**	**(762)**	**(280)**	**(762)**
Equity at the end of the year	**42,855**	**37,623**	**35,996**	**31,303**

Capital management

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

- protect the interests of depositors and creditors;
- protect the interests of the Crown;
- ensure the safety of the capital position; and
- ensure the capital base supports the strategic business objectives and the agreed risk appetite.

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

For capital management purposes, capital includes contributed equity, reserves and retained earnings, less the carrying value of intangibles, deferred tax asset and cash flow hedging reserve.

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

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 NBDT's with a credit rating from an approved credit rating agency.

The Group's capital ratio at 30 June 2014 is 15.1% (2013: 8.0%) placing it 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.

22. Equity (continued)

Cash flow hedging reserve

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

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

The ineffective portion of cash flow hedges recognised in net gains (losses) on financial instruments within profit or loss is $246,088 loss (2013: $59,845 loss).

23. Maturity analysis of assets and liabilities

The following tables show 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 27 Liquidity risk.

GROUP	STATEMENT OF FINANCIAL POSITION 2014 $000	LESS THAN 12 MONTHS 2014 $000	GREATER THAN 12 MONTHS 2014 $000	STATEMENT OF FINANCIAL POSITION 2013 $000	LESS THAN 12 MONTHS 2013 $000	GREATER THAN 12 MONTHS 2013 $000
Assets						
Cash and cash equivalents	25,671	25,671	-	72,697	72,697	-
Investment securities	438,363	372,610	65,753	420,582	266,360	154,222
Derivative financial instruments	81	30	51	378	53	325
Advances to clients	4,614	3,872	742	4,521	3,794	727
Trade receivables	7,008	5,177	1,831	7,050	4,902	2,148
Advances secured by mortgage	70,421	13,349	57,072	119,154	21,293	97,861
Total financial assets	**546,158**	**420,709**	**125,449**	**624,382**	**369,099**	**255,283**
Sundry receivables	80	73	7	72	61	11
Prepayments	633	633	-	643	643	-
Current tax	243	243	-	241	241	-
Property, plant & equipment	5,967	-	5,967	7,905	-	7,905
Intangibles	4,925	-	4,925	4,087	-	4,087
Total assets	**558,006**	**421,658**	**136,348**	**637,330**	**370,044**	**267,286**
Liabilities						
Liabilities to clients - at call or short term	406,143	406,143	-	428,489	428,489	-
Liabilities to clients - term deposits	90,680	79,363	11,317	149,218	133,858	15,360
Prepaid estate administration	344	-	344	403	-	403
Total liabilities to clients	**497,167**	**485,506**	**11,661**	**578,110**	**562,347**	**15,763**
Trade payables	3,387	3,387	-	8,270	8,270	-
Other payables	1,817	1,730	87	2,582	2,463	119
Derivative financial instruments	7,338	5,711	1,627	5,192	4,854	338
Prepaid income	90	90	-	132	132	-
Employee benefits	4,262	2,180	2,082	4,329	2,151	2,178
Provisions	1,090	1,090	-	1,092	1,092	-
Total liabilities	**515,151**	**499,694**	**15,457**	**599,707**	**581,309**	**18,398**

23. Maturity analysis of assets and liabilities (continued)

PARENT	STATEMENT OF FINANCIAL POSITION 2014 $000	LESS THAN 12 MONTHS 2014 $000	GREATER THAN 12 MONTHS 2014 $000	STATEMENT OF FINANCIAL POSITION 2013 $000	LESS THAN 12 MONTHS 2013 $000	GREATER THAN 12 MONTHS 2013 $000
Assets						
Cash and cash equivalents	25,474	25,474	-	72,348	72,348	-
Investment securities	438,363	372,610	65,753	420,582	266,360	154,222
Derivative financial instruments	81	30	51	378	53	325
Advances to clients	4,614	3,872	742	4,521	3,794	727
Trade receivables	6,661	4,830	1,831	6,582	4,434	2,148
Due from subsidiary	215	215	-	287	287	-
Advances secured by mortgage	70,421	13,349	57,072	119,154	21,293	97,861
Total financial assets	**545,829**	**420,380**	**125,449**	**623,852**	**368,569**	**255,283**
Sundry receivables	80	73	7	72	61	11
Prepayments	633	633	-	644	644	-
Current tax	242	242	-	241	241	-
Property, plant & equipment	5,967	-	5,967	7,905	-	7,905
Intangibles	2,420	-	2,420	1,582	-	1,582
Investments in subsidiaries	4,654	-	4,654	4,654	4,654	-
Total assets	**559,825**	**421,328**	**138,497**	**638,950**	**374,169**	**264,781**
Liabilities						
Liabilities to clients - at call or short term	406,143	406,143	-	428,489	428,489	-
Liabilities to clients - term deposits	90,680	79,363	11,317	149,218	133,858	15,360
Prepaid estate administration	344	-	344	403	-	403
Total liabilities to clients	**497,167**	**485,506**	**11,661**	**578,110**	**562,347**	**15,763**
Trade payables	3,262	3,262	-	8,149	8,149	-
Other payables	1,818	1,732	86	2,582	2,463	119
Derivative financial instruments	7,338	5,710	1,628	5,192	4,854	338
Employee benefits	4,262	2,180	2,082	4,329	2,151	2,178
Provisions	1,090	1,090	-	1,092	1,092	-
Loan from subsidiary	8,892	8,892	-	8,193	8,193	-
Total liabilities	**523,829**	**508,372**	**15,457**	**607,647**	**589,249**	**18,398**

24. Interest rate risk

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

The objective of the interest rate risk management policy is to mitigate adverse changes in the fair value of financial liabilities versus financial assets due to changes in applicable interest rates. This is done by investing in assets with similar interest rate resetting terms to those of the financial liabilities. Where no natural match can be established, interest rate swaps and forward rate agreements may be entered into to create a hedge.

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

Cash flow hedging

Changes in the 90-day bank bill rate will, all other things being equal, lead to changes in interest rates for on-call liabilities to clients' rates as well as floating rate mortgage interest rates. Changes in the base interest rate will therefore lead to a change in the associated interest expense and associated interest income cash flows. Interest rate swaps have been entered into to mitigate this risk and these interest rate swaps are treated as cash flow hedges for accounting purposes.

The periods in which the cash flows are expected to occur and in which they are expected to affect profit or loss is shown in Note 27 Liquidity risk.

Financial risk assessment

The interest rate risk exposure, including all derivative financial instruments, is assessed using the value-at-risk (VaR) method.

This method measures the range within which the value of assets or liabilities may fluctuate with a certain probability over a certain period of time (the holding period), given the actual interest rates observed each business day during the prior 12 months.

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

GROUP & PARENT	2014 $000	2013 $000
1 year Value-at-Risk at 95% confidence level	214	395

The values stated are on a pre-tax basis.

24. Interest rate risk (continued)

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

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

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

GROUP & PARENT	2014 $000	2013 $000
200 point increase in interest rates	(237)	(10)

The financial analysis on the next page shows the periods to contractual repricing or maturity dates (whichever date is earlier) as at balance date:

24. Interest rate risk (continued)

GROUP 2014	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
Financial Assets							
Cash and cash equivalents	25,671	25,671	25,671	-	-	-	-
Investment securities	438,363	438,363	391,006	31,944	15,413	-	-
Advances to clients	4,614	4,614	4,614	-	-	-	-
Advances secured by mortgage	70,421	70,421	32,702	23,253	7,764	5,589	1,113
Other financial assets	7,008	7,008	5,177	-	-	-	1,831
	546,077	546,077	459,170	55,197	23,177	5,589	2,944
Financial Liabilities							
Liabilities to clients - at call or short term	(406,143)	(406,143)	(406,143)	-	-	-	-
Liabilities to clients - term deposits	(90,680)	(90,680)	(79,363)	(7,501)	(3,222)	(594)	-
Other financial liabilities	(5,204)	(5,204)	(5,204)	-	-	-	-
	(502,027)	(502,027)	(490,710)	(7,501)	(3,222)	(594)	-
Financial instruments sensitivity gap		44,050	(31,540)	47,696	19,955	4,995	2,944
Derivatives							
Forward rate agreements	-	-	-	-	-	-	-
Interest rate swaps	(7,257)	-	45,900	(32,500)	(13,400)	-	-
	(7,257)	-	45,900	(32,500)	(13,400)	-	-
Repricing gap		**44,050**	**14,360**	**15,196**	**6,555**	**4,995**	**2,944**

GROUP 2013	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
Financial Assets							
Cash and cash equivalents	72,697	72,697	72,697	-	-	-	-
Investment securities	420,582	420,582	335,582	60,000	25,000	-	-
Advances to clients	4,521	4,521	4,521	-	-	-	-
Advances secured by mortgage	119,154	119,154	99,157	14,136	2,844	3,017	-
Other financial assets	7,050	7,050	4,902	-	-	-	2,148
	624,004	624,004	516,859	74,136	27,844	3,017	2,148
Financial Liabilities							
Liabilities to clients - at call or short term	(428,489)	(428,489)	(428,489)	-	-	-	-
Liabilities to clients - term deposits	(149,218)	(149,218)	(134,187)	(7,747)	(3,979)	(3,305)	-
Other financial liabilities	(10,852)	(10,852)	(10,852)	-	-	-	-
	(588,559)	(588,559)	(573,528)	(7,747)	(3,979)	(3,305)	-
Financial instruments sensitivity gap		35,445	(56,669)	66,389	23,865	(288)	2,148
Derivatives							
Forward rate agreements	(2)	-	-	-	-	-	-
Interest rate swaps	(4,812)	-	108,900	(86,000)	(24,500)	1,600	-
	(4,814)	-	108,900	(86,000)	(24,500)	1,600	-
Repricing gap		**35,445**	**52,231**	**(19,611)**	**(635)**	**1,312**	**2,148**

24. Interest rate risk (continued)

PARENT 2014	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
Financial assets							
Cash and cash equivalents	25,474	25,474	25,474	-	-	-	-
Investment securities	438,363	438,363	391,006	31,944	15,413	-	-
Advances to clients	4,614	4,614	4,614	-	-	-	-
Advances secured by mortgage	70,421	70,421	32,702	23,253	7,764	5,589	1,113
Other financial assets	6,876	6,876	5,045	-	-	-	1,831
	545,748	545,748	458,841	55,197	23,177	5,589	2,944
Financial liabilities							
Liabilities to clients - at call or short term	(406,143)	(406,143)	(406,143)	-	-	-	-
Liabilities to clients - term deposits	(90,680)	(90,680)	(79,363)	(7,501)	(3,222)	(594)	-
Other financial liabilities	(5,080)	(5,080)	(5,080)	-	-	-	-
Loan from subsidiary	(8,892)	(8,892)	(8,892)	-	-	-	-
	(510,795)	(510,795)	(499,478)	(7,501)	(3,222)	(594)	-
Financial instruments sensitivity gap		34,953	(40,637)	47,696	19,955	4,995	2,944
Derivatives							
Forward rate agreements	-	-	-	-	-	-	-
Interest rate swaps	(7,257)	-	45,900	(32,500)	(13,400)	-	-
	(7,257)	-	45,900	(32,500)	(13,400)	-	-
Repricing gap		**34,953**	**5,263**	**15,196**	**6,555**	**4,995**	**2,944**

PARENT 2013	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
Financial assets							
Cash and cash equivalents	72,348	72,348	72,348	-	-	-	-
Investment securities	420,582	420,582	335,582	60,000	25,000	-	-
Advances to clients	4,521	4,521	4,521	-	-	-	-
Advances secured by mortgage	119,154	119,154	99,157	14,136	2,844	3,017	-
Other financial assets	6,869	6,869	4,721	-	-	-	2,148
	623,474	623,474	516,329	74,136	27,844	3,017	2,148
Financial liabilities							
Liabilities to clients - at call or short term	(428,489)	(428,489)	(428,489)	-	-	-	-
Liabilities to clients - term deposits	(149,218)	(149,218)	(134,187)	(7,747)	(3,979)	(3,305)	-
Other financial liabilities	(10,731)	(10,731)	(10,731)	-	-	-	-
Loan from subsidiary	(8,193)	(8,193)	(8,193)	-	-	-	-
	(596,631)	(596,631)	(581,600)	(7,747)	(3,979)	(3,305)	-
Financial instruments sensitivity gap	26,843	26,843	(65,271)	66,389	23,865	(288)	2,148
Derivatives							
Forward rate agreements	(2)	-	-	-	-	-	-
Interest rate swaps	(4,812)	-	108,900	(86,000)	(24,500)	1,600	-
	(4,814)	-	108,900	(86,000)	(24,500)	1,600	-
Repricing gap		**26,843**	**43,629**	**(19,611)**	**(635)**	**1,312**	**2,148**

25. Currency risk

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

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

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

26. 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 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Mortgage backed securities	2,707	33,925	2,707	33,925
Banks	353,342	388,510	353,145	388,161
Corporates	78,316	71,222	78,316	71,222
Local authorities	17,787	-	17,787	-
State owned enterprises	7,970	-	7,970	-
NZ Government mixed ownership	3,993	-	3,993	-
Client overdrafts	3,869	3,666	3,869	3,666
Advances to client beneficiaries	745	855	745	855
Real estate mortgages secured by underwriting agreement	1,611	2,053	1,611	2,053
Real estate mortgages	68,810	117,101	68,810	117,101
Receivables of uncertain timing	1,831	2,148	1,831	2,148
Other	5,177	4,902	5,045	4,721
Total financial assets subject to credit risk	**546,158**	**624,382**	**545,829**	**623,852**

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

GROUP	ADVANCES TO CLIENTS 2014 $000	TRADE RECEIVABLES AND WORK IN PROGRESS 2014 $000	ADVANCES SECURED BY MORTGAGE 2014 $000	ADVANCES TO CLIENTS 2013 $000	TRADE RECEIVABLES AND WORK IN 2013 $000	ADVANCES SECURED BY MORTGAGE 2013 $000
Work in progress	-	3,357	-	-	2,936	-
Neither past due nor impaired	4,614	2,698	64,365	4,521	3,537	105,545
Past due but not impaired	-	953	1,348	-	576	7,486
Impaired	-	962	8,061	-	336	10,910
Gross	**4,614**	**7,970**	**73,774**	**4,521**	**7,385**	**123,941**
Less: Allowance for impairment	-	(962)	(3,353)	-	(336)	(4,787)
Net	**4,614**	**7,008**	**70,421**	**4,521**	**7,049**	**119,154**

26. Credit risk (continued)

PARENT	ADVANCES TO CLIENTS 2014 $000	TRADE RECEIVABLES AND WORK IN PROGRESS 2014 $000	ADVANCES SECURED BY MORTGAGE 2014 $000	ADVANCES TO CLIENTS 2013 $000	TRADE RECEIVABLES AND WORK IN PROGRESS 2013 $000	ADVANCES SECURED BY MORTGAGE 2013 $000
Work in Progress	-	3,023	-	-	2,544	
Neither past due nor impaired	4,614	2,688	64,365	4,521	3,461	105,545
Past due but not impaired	-	950	1,348	-	576	7,486
Impaired	-	962	8,061	-	336	10,910
Gross	**4,614**	**7,623**	**73,774**	**4,521**	**6,917**	**123,941**
Less: Allowance for impairment	-	(962)	(3,353)	-	(336)	(4,787)
Net	**4,614**	**6,661**	**70,421**	**4,521**	**6,581**	**119,154**

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 2014 (2013: 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.

Trade receivables and Work in progress

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

26. Credit risk (continued)

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

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Past due 1-30 days	161	173	158	173
Past due 31-60 days	114	108	114	108
Past due 61-90 days	75	72	75	72
Past due more than 90 days	603	222	603	222
Total	**953**	**575**	**950**	**575**

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

The following table provides an analysis of work in progress:

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Work in Progress	4,099	4,174	3,765	3,782
Provision for discounting	(742)	(1,237)	(742)	(1,237)
Work in Progress after discounting	**3,357**	**2,937**	**3,023**	**2,545**

Receivables of uncertain timing

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

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

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

26. Credit risk (continued)

Advances secured by mortgage

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

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

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

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

Advances secured by mortgage are reviewed regularly 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	2014 $000	2013 $000
A	48,833	74,443
B	8,646	20,228
C	8,234	18,360
	65,713	**113,031**

The carrying amount of advances secured by mortgage that would otherwise be past due or impaired whose terms have been renegotiated is nil (2013: nil).

26. 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 2014 $000	IMPAIRMENT 2014 $000	NET VALUE 2014 $000	GROSS VALUE 2013 $000	IMPAIRMENT 2013 $000	NET VALUE 2013 $000
Residential & Residential Investment	4,472	(2,333)	2,139	5,153	(2,288)	2,865
Commercial & Development	3,589	(450)	3,139	5,757	(1,456)	4,301
	8,061	**(2,783)**	**5,278**	**10,910**	**(3,744)**	**7,166**

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

GROUP & PARENT	GROSS VALUE 2014 $000	IMPAIRMENT 2014 $000	NET VALUE 2014 $000	GROSS VALUE 2013 $000	IMPAIRMENT 2013 $000	NET VALUE 2013 $000
Residential & Residential Investment	58,505	(78)	58,427	93,844	(182)	93,662
Commercial & Development	6,184	(492)	5,692	18,104	(861)	17,243
Other	1,024	-	1,024	1,083	-	1,083
	65,713	**(570)**	**65,143**	**113,031**	**(1,043)**	**111,988**

The following table provides a geographical analysis of gross advances secured by mortgage.

GROUP & PARENT	PERCENTAGE OF LOAN BOOK 2014	PERCENTAGE OF LOAN BOOK 2013
Auckland	25.91%	29.15%
Wellington	23.23%	22.60%
Christchurch	8.70%	9.56%
Other North Island	28.72%	28.58%
Other South Island	13.44%	10.11%
	100.00%	**100.00%**

Investment securities and derivatives

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

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

Interest rate derivative counterparty credit risk is managed by:

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

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

26. 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 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Long-term credit rating				
AAA	2,707	3,817	2,707	3,817
AA+	-	-	-	-
AA	9,756	5,116	9,756	5,116
AA-	42,003	99,401	42,003	99,401
A+	5,404	21,418	5,404	21,418
A	-	4,900	-	4,900
A-	6,052	5,621	6,052	5,621
BBB+	-	-	-	-
BBB	-	5,848	-	5,848
B	-	-	-	-
B-	-	8,945	-	8,945
CCC	-	5,299	-	5,299
Unrated local authority	-	-	-	-
	65,922	160,365	65,922	160,365
Short-term credit rating				
A1+	332,514	291,452	332,317	291,103
A1	55,234	41,840	55,234	41,840
A2	10,444	-	10,444	-
	398,192	333,292	397,995	332,943
Unrated - other financial assets	82,044	130,725	81,912	130,544
Total financial assets	**546,158**	**624,382**	**545,829**	**623,852**

Offsetting financial assets and financial liabilities

The Parent has entered into offsetting agreements with various NZ registered bank counterparties in relation to its transactional bank accounts and derivative transactions.

Cash and cash equivalents

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

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

26. Credit risk (continued)

Derivatives

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

- Derivative transactions in the same currency and maturing on the same day with the same counterparty are intended to settle net.
- A defined default or termination event by either the Parent or by the counterparty gives the other party the right to demand the simultaneous net settlement of all outstanding derivative contracts between those parties.
- Frustrations to ordinary course of business settlements caused by circumstances such as natural or man-made disasters, clearance system failure, armed conflict or terrorism do not constitute default events and do not give rise to simultaneous net settlement rights.
- The Agreements cover derivative transactions only. However, if a simultaneous net settlement right is triggered, the party with the net payment obligation has the right to draw any other non-derivative assets it holds with the other party into the Agreement and offset those against the net settlement obligation.

Investment securities

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

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

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

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

- are offset in the Group's financial statements
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

26. Credit risk (continued)

Offsetting financial assets and financial liabilities (continued)

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

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

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

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

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

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

26. Credit risk (continued)

Offsetting financial assets and financial liabilities (continued)

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

Group 2013	Gross amounts of recognised financial assets not subject to offset arrangements $000	Gross amounts of recognised financial assets subject to offset arrangements $000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $000	Net amounts of financial assets presented in the statement of financial position $000
Financial assets subject to offset				
Cash and cash equivalents	60,175	19,862	(7,340)	72,697
Investment securities	174,026	246,556	-	420,582
Derivative assets	-	378	-	378
Total financial assets subject to offset	234,201	266,796	(7,340)	493,657

Group 2013	Net amounts of financial assets presented in the statement of financial position $000	Amounts included in gross financial assets subject to offset that are not set-off in the statement of financial position: Financial instruments $000	Cash collateral pledged $000	Net amount $000
Counterparty A	114,446	(778)	-	113,668
Counterparty B	93,267	(1,255)	-	92,012
Counterparty C	21,420	(1,826)	-	19,594
Counterparty D	30,731	(1,333)	-	29,398
Counterparties without offset arrangements	233,793	-	-	233,793
Total	493,657	(5,192)	-	488,465

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

Group 2013	Gross amounts of recognised financial liabilities not subject to offset arrangements $000	Gross amounts of recognised financial liabilities subject to offset arrangements $000	Gross amounts of recognised financial assets set-off in the statement of financial position $000	Net amounts of financial liabilities presented in the statement of financial position $000
Financial liabilities subject to offset				
Cash and cash equivalents	-	7,340	(7,340)	-
Derivative liabilities	-	5,192	-	5,192
Total financial liabilities subject to offset	-	12,532	(7,340)	5,192

Group 2013	Net amounts of financial assets presented in the statement of financial position $000	Amounts included in gross financial liabilities subject to offset that are not set-off in the statement of financial position: Financial instruments $000	Cash collateral pledged $000	Net amount $000
Counterparty A	778	(778)	-	-
Counterparty B	1,255	(1,255)	-	-
Counterparty C	1,826	(1,826)	-	-
Counterparty D	1,333	(1,333)	-	-
Counterparties without offset arrangements	-	-	-	-
Total	5,192	(5,192)	-	-

26. Credit risk (continued)

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

Parent 2014	Gross amounts of recognised financial assets not subject to offset arrangements $000	Gross amounts of recognised financial assets subject to offset arrangements $000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $000	Net amounts of financial assets presented in the statement of financial position $000
Financial assets subject to offset				
Cash and cash equivalents	16,313	13,376	(4,215)	25,474
Investment securities	155,488	282,875	-	438,363
Derivative assets	-	84	(3)	81
Total financial assets subject to offset	171,801	296,335	(4,218)	463,918

Parent 2014	Net amounts of financial assets presented in the statement of financial position $000	Amounts included in gross financial assets subject to offset that are not set-off in the statement of financial position: Financial instruments $000	Amounts included in gross financial assets subject to offset that are not set-off in the statement of financial position: Cash collateral pledged $000	Net amount $000
Counterparty A	86,660	(2,351)	-	84,309
Counterparty B	87,096	(1,328)	-	85,768
Counterparty C	37,804	(2,246)	-	35,558
Counterparty D	80,623	(1,413)	-	79,210
Counterparties without offset arrangements	171,735	-	-	171,735
Total	463,918	(7,338)	-	456,580

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

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

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

26. Credit risk (continued)

Offsetting financial assets and financial liabilities (continued)

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

Parent 2013	Gross amounts of recognised financial assets not subject to offset arrangements $000	Gross amounts of recognised financial assets subject to offset arrangements $000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $000	Net amounts of financial assets presented in the statement of financial position $000
Financial assets subject to offset				
Cash and cash equivalents	59,826	19,862	(7,340)	72,348
Investment securities	174,026	246,556	-	420,582
Derivative assets	-	378	-	378
Total financial assets subject to offset	233,852	266,796	(7,340)	493,308

Parent 2013	Net amounts of financial assets presented in the statement of financial position $000	Amounts included in gross financial assets subject to offset that are not set-off in the statement of financial position: Financial instruments $000	Cash collateral pledged $000	Net amount $000
Counterparty A	114,446	(778)	-	113,668
Counterparty B	92,918	(1,255)	-	91,663
Counterparty C	21,420	(1,826)	-	19,594
Counterparty D	30,731	(1,333)	-	29,398
Counterparties without offset arrangements	233,793	-	-	233,793
Total	493,308	(5,192)	-	488,116

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

Parent 2013	Gross amounts of recognised financial liabilities not subject to offset arrangements $000	Gross amounts of recognised financial liabilities subject to offset arrangements $000	Gross amounts of recognised financial assets set-off in the statement of financial position $000	Net amounts of financial liabilities presented in the statement of financial position $000
Financial liabilities subject to offset				
Cash and cash equivalents	-	7,340	(7,340)	-
Derivative liabilities	-	5,192	-	5,192
Total financial liabilities subject to offset	-	12,532	(7,340)	5,192

Parent 2013	Net amounts of financial liabilities presented in the statement of financial position $000	Amounts included in gross financial liabilities subject to offset that are not set-off in the statement of financial position: Financial instruments $000	Cash collateral pledged $000	Net amount $000
Counterparty A	778	(778)	-	-
Counterparty B	1,255	(1,255)	-	-
Counterparty C	1,826	(1,826)	-	-
Counterparty D	1,333	(1,333)	-	-
Counterparties without offset arrangements	-	-	-	-
Total	5,192	(5,192)	-	-

26. Credit risk (continued)

Further information on offset tables

Amounts included in gross financial assets/liabilities subject to offset that are not set-off in the statement of financial position

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

Net amounts for each counterparty

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

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

Measurement differences

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

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

- cash and cash equivalents – cash settlement value
- derivative assets and liabilities – fair value
- investment securities – fair value and amortised cost

Counterparty risk

The following table shows the number of individual counterparties to which the Group has a credit exposure, net of allowances for impairment, which equals or exceeds 10% of equity.

PERCENTAGE OF EQUITY BAND	2014 COUNTERPARTIES	2013 COUNTERPARTIES
10-20%	5	2
21-30%	1	1
31-40%	2	-
41-50%	2	1
51-60%	-	3
61-70%	-	1
71-80%	-	1
91-100%	1	-
101-110%	1	-
151-160%	-	2
181-190%	1	1
201-210%	2	-
281-290%	-	1
	15	**13**

The exposures reported above reflect the investment activities of the Common Fund and include the Group's net transactional bank balances. Those exposures that are greater than 200% of equity are all senior obligations of bank counterparties with a very low risk of default as measured by the counterparty's credit rating.

27. Liquidity risk

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

Public Trust administers trusts and estates on behalf of fiduciary beneficiaries. As part of its trustee functions Public Trust invests the assets of the trusts and estates on behalf of its clients. This is the principal source of Public Trust's liability deposits. Since Public Trust is the decision maker of these deposits, the risk of a sudden substantial withdrawal of deposits is deemed remote. Historically, the withdrawal of deposits arising from trusts and estates being wound up is largely offset by new deposits arising from the administration of new trusts and estates.

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

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

The following table sets out the undiscounted contractual cash flows for all financial liabilities (that are settled on a net cash flows basis). Groupings are based on the period remaining at the balance sheet date to the contractual maturity date.

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

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 the reporting date.

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

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

27. Liquidity risk (continued)

GROUP 2014	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	25,671	25,671	25,671	-	-	-	-
Investment securities	438,363	439,074	370,138	32,380	23,470	10,266	2,820
Advances to clients	4,614	5,035	3,933	61	61	667	313
Trade receivables	7,008	7,856	5,176	-	-	-	2,680
Advances secured by mortgage	70,421	104,615	11,615	7,841	7,401	14,906	62,852
Total non-derivative financial assets	**546,077**	**582,251**	**416,533**	**40,282**	**30,932**	**25,839**	**68,665**
Interest rate swaps							
Held for trading	-	-	-	-	-	-	-
Cash flow hedge accounted	81	49	46	2	1	-	-
Fair value hedge accounted	-	-	-	-	-	-	-
Forward rate agreements - held for trading	-	-	-	-	-	-	-
Total derivative financial assets	**81**	**49**	**46**	**2**	**1**	**-**	**-**
Total financial assets	**546,158**	**582,300**	**416,579**	**40,284**	**30,933**	**25,839**	**68,665**
Liabilities to clients - at call or short term	406,143	406,143	406,143	-	-	-	-
Liabilities to clients - term deposits	90,680	92,037	80,231	7,808	3,359	639	-
Trade payables	3,387	3,387	3,387	-	-	-	-
Total non-derivative financial liabilities	**500,210**	**501,567**	**489,761**	**7,808**	**3,359**	**639**	**-**
Interest rate swaps							
Held for trading	-	-	-	-	-	-	-
Cash flow hedge accounted	7,338	8,008	3,761	2,340	1,907	-	-
Forward rate agreements - held for trading	-	-	-	-	-	-	-
Total derivative financial liabilities	**7,338**	**8,008**	**3,761**	**2,340**	**1,907**	**-**	**-**
Total financial liabilities	**507,548**	**509,575**	**493,522**	**10,148**	**5,266**	**639**	**-**
Total contractual maturities		**72,725**	**(76,943)**	**30,136**	**25,667**	**25,200**	**68,665**

27. Liquidity risk (continued)

GROUP 2013	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	72,697	72,697	72,697	-	-	-	-
Investment securities	420,582	438,040	270,308	95,806	34,250	19,059	18,617
Advances to clients	4,521	4,862	3,856	63	63	532	348
Trade receivables	7,050	8,087	4,902	-	-	-	3,185
Advances secured by mortgage	119,154	170,862	24,191	11,970	11,588	24,317	98,796
Total non-derivative financial assets	**624,004**	**694,548**	**375,954**	**107,839**	**45,901**	**43,908**	**120,946**
Interest rate swaps							
Held for trading	2	2	2	-	-	-	-
Cash flow hedge accounted	354	(1,117)	600	1,002	(2,726)	7	-
Fair value hedge accounted	20	20	20	-	-	-	-
Forward rate agreements - held for trading	2	-	-	-	-	-	-
Total derivative financial assets	**378**	**(1,095)**	**622**	**1,002**	**(2,726)**	**7**	**-**
Total financial assets	**624,382**	**693,453**	**376,576**	**108,841**	**43,175**	**43,915**	**120,946**
Liabilities to clients - at call or short term	428,489	428,489	428,489	-	-	-	-
Liabilities to clients - term deposits	149,218	151,516	135,285	8,410	4,289	3,532	-
Trade payables	8,270	8,270	8,270	-	-	-	-
Total non-derivative financial liabilities	**585,977**	**588,275**	**572,044**	**8,410**	**4,289**	**3,532**	**-**
Interest rate swaps							
Held for trading	339	477	135	342	-	-	-
Cash flow hedge accounted	4,849	4,427	(1,663)	6,099	(6)	(3)	-
Forward rate agreements - held for trading	4	4	4	-	-	-	-
Total derivative financial liabilities	**5,192**	**4,908**	**(1,524)**	**6,441**	**(6)**	**(3)**	**-**
Total financial liabilities	**591,169**	**593,183**	**570,520**	**14,851**	**4,283**	**3,529**	**-**
Total contractual maturities		**100,270**	**(193,944)**	**93,990**	**38,892**	**40,386**	**120,946**

27. Liquidity risk (continued)

PARENT 2014	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	25,474	25,474	25,474	-	-	-	-
Investment securities	438,363	439,074	370,138	32,380	23,470	10,266	2,820
Advances to clients	4,614	5,035	3,933	61	61	667	313
Trade receivables	6,661	7,664	4,380	-	-	-	3,284
Due from subsidiary	215	215	215	-	-	-	-
Advances secured by mortgage	70,421	104,615	11,615	7,841	7,401	14,906	62,852
Total non-derivative financial assets	**545,748**	**582,077**	**415,755**	**40,282**	**30,932**	**25,839**	**69,269**
Interest rate swaps							
Held for trading	-	-	-	-	-	-	-
Cash flow hedge accounted	81	49	46	2	1	-	-
Fair value hedge accounted	-	-	-	-	-	-	-
Forward rate agreements - held for trading	-	-	-	-	-	-	-
Total derivative financial assets	**81**	**49**	**46**	**2**	**1**	**-**	-
Total financial assets	**545,829**	**582,126**	**415,801**	**40,284**	**30,933**	**25,839**	**69,269**
Liabilities to clients - at call or short term	406,143	406,143	406,143	-	-	-	-
Liabilities to clients - term deposits	90,680	92,037	80,231	7,808	3,359	639	-
Trade payables	3,262	3,262	3,262	-	-	-	-
Loan from subsidiary	8,892	8,892	8,892	-	-	-	-
Total non-derivative financial liabilities	**508,977**	**510,334**	**498,528**	**7,808**	**3,359**	**639**	**-**
Interest rate swaps							
Held for trading	-	-	-	-	-	-	-
Cash flow hedge accounted	7,338	8,008	3,761	2,340	1,907	-	-
Forward rate agreements - held for trading	-	-	-	-	-	-	-
Total derivative financial liabilities	**7,338**	**8,008**	**3,761**	**2,340**	**1,907**	**-**	**-**
Total financial liabilities	**516,315**	**518,342**	**502,289**	**10,148**	**5,266**	**639**	**-**
Total contractual maturities		**63,784**	**(86,488)**	**30,136**	**25,667**	**25,200**	**69,269**

27. Liquidity risk (continued)

PARENT 2013	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	72,348	72,348	72,348	-	-	-	-
Investment securities	420,582	438,040	270,308	95,806	34,250	19,059	18,617
Advances to clients	4,521	4,862	3,856	63	63	532	348
Trade receivables	6,582	7,619	4,434	-	-	-	3,185
Due from subsidiary	287	287	287	-	-	-	-
Advances secured by mortgage	119,154	170,862	24,191	11,970	11,588	24,317	98,796
Total non-derivative financial assets	**623,474**	**694,018**	**375,424**	**107,839**	**45,901**	**43,908**	**120,946**
Interest rate swaps							
Held for trading	2	2	2	-	-	-	-
Cash flow hedge accounted	354	(1,117)	600	1,002	(2,726)	7	-
Fair value hedge accounted	20	20	20	-	-	-	-
Forward rate agreements - held for trading	2	-	-	-	-	-	-
Total derivative financial assets	**378**	**(1,095)**	**622**	**1,002**	**(2,726)**	**7**	**-**
Total financial assets	**623,852**	**692,923**	**376,046**	**108,841**	**43,175**	**43,915**	**120,946**
Liabilities to clients - at call or short term	428,489	428,489	428,489	-	-	-	-
Liabilities to clients - term deposits	149,218	151,516	135,285	8,410	4,289	3,532	-
Trade payables	8,149	8,149	8,149	-	-	-	-
Loan from subsidiary	8,193	8,193	8,193	-	-	-	-
Total non-derivative financial liabilities	**594,049**	**596,347**	**580,116**	**8,410**	**4,289**	**3,532**	**-**
Interest rate swaps							
Held for trading	339	477	135	342	-	-	-
Cash flow hedge accounted	4,849	4,427	(1,663)	6,099	(6)	(3)	-
Forward rate agreements - held for trading	4	4	4	-	-	-	-
Total derivative financial liabilities	**5,192**	**4,908**	**(1,524)**	**6,441**	**(6)**	**(3)**	**-**
Total financial liabilities	**599,241**	**601,255**	**578,592**	**14,851**	**4,283**	**3,529**	**-**
Total contractual maturities		**91,668**	**(202,546)**	**93,990**	**38,892**	**40,386**	**120,946**

27. 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.

GROUP & PARENT 2014	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
Cash inflows (assets)	49	46	2	1	-	-
Cash outflows (liabilities)	8,008	3,761	2,340	1,907	-	-
Profit or loss	**(7,959)**	**(3,715)**	**(2,338)**	**(1,906)**	**-**	**-**
GROUP & PARENT 2013						
Cash inflows (assets)	(1,117)	600	1,002	(2,726)	7	-
Cash outflows (liabilities)	4,427	(1,663)	6,099	(6)	(3)	-
Profit or loss	**(5,544)**	**2,263**	**(5,097)**	**(2,720)**	**10**	

Priority of creditors' claims

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

In the event that the Public Trust group is put into liquidation or ceases to trade, secured creditors and those creditors set out in the seventh schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors.

The Crown has last priority on claims over the group's assets.

28. Fair value

Bases to fair value

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

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 2 - non-derivatives:

Pricing for securities in this category are not observable as they do not trade on a public exchange. The security is priced by a reputable independent third party specialist contracted to the custodian of the Common Fund's investment securities. The pricing agent determines for each security a credit margin over and above the applicable risk free rate (bank bill interest rate for the term of a particular security). Factors that are considered in determining the credit margin include, the credit rating of the security, reported new issue tender results and off market transactions. The credit margin is then added to the applicable observable bank bill interest rate to determine a discount rate and thereby a current price. Because of the uncertainty with the assumptions used in determining the credit margin the resulting valuations may differ significantly from those which would have been used if there was an active market for these securities.

Level 2 – derivatives:

Pricing for securities in this category are not observable as they do not trade on a public exchange. The security is priced by the custodian of the Common Fund's investment securities. The pricing is based on observable market interest rates for the particular contracted cash-flows pertaining to each derivative. Each of these cash-flows is then discounted at the determined discount rate to determine a current value. Because the pricing methodology does not factor in an individual banks willingness to enter into the opposite cash-flows (i.e. purchase this particular derivative) the resulting valuations may differ from those that would have been used if there was an active market for these securities.

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.

Level 3 assets:

The security is priced by an independent third party specialist, contracted to the custodian of the Common Fund's investment securities. The pricing agent makes certain assumptions as to the key performance variables of the security including rate of mortgage prepayment, defaults and recovery. These assumptions are based on the historical performance of the security together with consideration of future economic conditions. A discount rate is then applied to the resulting cash-flows using observable market interest rates in order to arrive at a current price. Because of the uncertainty with the assumptions used in determining the credit margin the resulting valuation may differ significantly from those that would have been used if there was an active market for these securities

28. 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 liquidity.

Liabilities to clients – call or short term

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

Liabilities to clients – term deposits

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.

28. Fair value (continued)

Recurring fair value measurement - Level 1 and Level 2

GROUP & PARENT	2014 $000	2013 $000
Level 1		
Assets at fair value		
Interest bearing securities		
Banks	-	5,621
Total for level 1 assets	**-**	**5,621**
Level 2		
Assets at fair value		
Interest bearing securities		
Local authorities	17,788	-
Banks	-	20,647
State owned enterprises	7,970	-
NZ Government mixed ownership	3,993	-
Corporates	61,016	51,072
Derivative financial instruments		
Interest rate swaps		
Held for trading	-	2
Cash flow hedge accounted	81	354
Fair value hedge accounted	-	20
Forward rate agreements held for trading	-	2
Total for level 2 assets	**90,848**	**72,097**
Liabilities at fair value		
Derivative financial instruments		
Interest rate swaps		
Held for trading	-	339
Cash flow hedge accounted	7,338	4,849
Forward rate agreements held for trading	-	4
Total for level 2 liabilities	**7,338**	**5,192**

Table continues over page

28. Fair value (continued)

Recurring fair value measurement - Level 3

GROUP & PARENT	2014 $000	2013 $000
Level 3		
Assets at fair value		
Interest bearing securities		
	2,707	33,924
Total for level 3 assets	**2,707**	**33,924**
Level 3 reconciliation		
Opening balance	33,924	83,209
Total gains (losses) recognised in		
profit or loss	(73)	8,056
Movement in amortisation	(712)	389
Movement in accrued interest	(205)	24
Purchases	-	190,235
Sales	(12,822)	(59,589)
Maturities	(17,405)	(146,906)
Transfers out of (into) Level 3	-	(41,494)
Closing balance	**2,707**	**33,924**
Total gains (losses) recognised in profit or loss relating to assets and liabilities held at end of year.	(34)	5,824

Fair value hierarchy of Investment securities. During the preparation of the financial statements we have reassessed the inputs used when calculating the fair value of investment securities. It was determined that the fair value of certain Corporate Investment Securities, that were classified as Level 3 financial instruments at 30 June 2013, are derived from valuation techniques where all the significant inputs are from directly observable market data. This has resulted in the reclassification of the Fair value hierarchy of these Corporate Investment Securities from Level 3 to Level 2.

Fair values disclosed

GROUP & PARENT	CARRYING VALUE 2014 $000	"FAIR VALUE 2014 $000	CARRYING VALUE 2013 $000	"FAIR VALUE 2013 $000
Level 3				
Advances secured by mortgage	70,421	73,521	119,154	117,027

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	2014 $000	2013 $000
100 point increase in credit margin	137	1,515
90 days increase in weighted average life (Mortgage Backed Securities)	19	116

29. Other price risk

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

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

Credit spreads

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

GROUP & PARENT	2014 $000	2013 $000
Local authorities	23	-
Banks	-	544
State owned enterprises	8	-
NZ Government mixed ownership	2	-
Mortgage backed securities	28	1,443
Corporates	509	431
	570	**2,418**

Capital repayment pattern

The Group holds mortgage backed securities in which capital repayments (both scheduled and unscheduled) of the underlying mortgages may be passed through to the Group as holder of the securities. A factor in the valuation of such instruments is the expected pattern of these capital repayments. If the weighted average term of these repayments shortens there is an increase in valuation and if the term lengthens there is a reduction in valuation. For every 90 days that the actual repayment pattern differs from the anticipated pattern there will be a change in value of $19,496 (2013: $115,730).

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.

30. Revenues arising and expenses incurred in arriving at profit or loss

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

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Fees and other revenue				
Fees from trust and other fiduciary activities	43,070	38,491	41,238	36,527
Fees from other services	4,263	5,285	5,303	6,275
Other revenue	1,088	1,126	1,088	1,126
Insurance recovery - Canterbury earthquakes	20	1,467	20	1,467
Financial assets and financial liabilities not at fair value through profit or loss				
Interest revenue	19,413	22,842	19,413	22,842
Interest expense	(9,804)	(15,785)	(9,998)	(15,986)
Fee revenue	(114)	1,432	(114)	1,432
Fee expense	-	(6)	-	(6)
Net gains (losses)				
Financial assets/liabilities at fair value through profit or loss				
Designated on initial recognition	(233)	9,837	(233)	9,837
Held for trading	44	324	44	324

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

Other expenses includes the balances in the table below.

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Audit fees	286	269	281	264
Audit fees for non-consolidated managed funds	141	195	141	195
Other fees paid to auditors	40	41	40	41
Litigation settlement		-		-
Donations	1	7	1	7
Contribution to defined contribution plans	854	762	854	762
Fees on trust and other fiduciary activities	2,896	2,456	2,896	2,456

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

30. 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.

GROUP & PARENT	2014 NUMBER OF EMPLOYEES	2013 NUMBER OF EMPLOYEES
$100,000 to $109,999	18	22
$110,000 to $119,999	22	19
$120,000 to $129,999	6	4
$130,000 to $139,999	6	8
$140,000 to $149,999	6	4
$150,000 to $159,999	2	5
$160,000 to $169,999	5	6
$170,000 to $179,999	3	3
$180,000 to $189,999	2	2
$190,000 to $199,999	-	1
$200,000 to $209,999	3	-
$220,000 to $229,999	-	2
$240,000 to $249,999	2	1
$250,000 to $259,999	1	2
$270,000 to $279,999	-	1
$350,000 to $359,999	-	1

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

Key management personnel

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

GROUP & PARENT	2014 $000	2013 $000
Key management personnel compensation comprises:		
Short-term employee benefits	1,915	2,782
Short-term contractor benefits	692	-
Post-employment benefits	29	36
Termination benefits	195	377
	2,831	**3,195**

Employment cessation payments

During the year, 35 employees received or will receive $1,617,000 (2013: 33 employees received a total of $1,161,000) relating to the cessation of their employment with Public Trust.

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

Board member remuneration

GROUP & PARENT	BOARD 2014 $000	SUB-COMMITTEE 2014 $000	BOARD 2013 $000	SUB-COMMITTEE 2013 $000
Remuneration paid or payable to Board members:				
Sarah Roberts	56	-	21	5
Fiona Oliver	35	5	21	5
Rodger Finlay (retired June 2014)	28	5	21	4
Dinu Harry	28	5	21	2
Sue McCormack	28	5	21	2
Diana Puketapu (appointed November 2014)	19	1	-	-
David Tapsell (appointed November 2014)	19	1	-	-
Hinerangi Raumati (resigned November 2012)	-	-	7	-
Robin Hill (retired April 2013)	-	-	22	4
Trevor Janes (retired June 2013)	-	-	42	-
	213	**22**	**176**	**22**

Insurance and indemnities

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

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

31. Tax expense (benefit)

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Profit (loss) before tax	4,750	7,770	4,002	6,713
Cash flow hedging reserve movement	482	1,025	482	1,025
	5,232	**8,795**	**4,484**	**7,738**
Income tax at 28%	1,465	2,463	1,256	2,167
Add (deduct) tax effect of temporary differences				
Non-deductible expenses	7	(242)	7	(242)
Non-taxable income	(101)	(7)	(101)	(7)
Prior period adjustment	32	(122)	32	(122)
Deferred tax expense relating to temporary differences	(575)	(768)	(575)	(768)
Deferred tax arising from losses written off	(209)	(296)	-	-
Utilisation of losses	(484)	(741)	(484)	(741)
Utilisation of losses by transfer to subsidiary	-	-	(209)	(296)
	135	287	(74)	(9)
Tax effect of movement in the cash flow hedging reserve	(135)	(287)	(135)	(287)
Tax expense (benefit)	**-**	**-**	**(209)**	**(296)**

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

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Profit (loss) after tax	**4,750**	**7,770**	**4,211**	**7,009**
Items relating to property, plant & equipment				
Depreciation	1,994	1,900	1,994	1,900
(Gains) losses on disposal of property, plant & equipment	317	75	317	75
Items relating to intangibles				
(Gains) losses on disposal of intangibles	14	-	14	-
Amortisation	650	574	650	574
Impairment of intangibles	-	1,187	-	1,187
Items relating to investment in subsidiary				
Management fee accrual	-	-	(15)	29
Subsidiary's utilisation of tax losses of Parent	-	-	(209)	(296)
Items relating to non-trading financial assets and financial liabilities				
Realised (gains) losses on disposal	255	(3,110)	255	(3,110)
Unrealised (gains) losses	(2,050)	(8,139)	(2,050)	(8,139)
Amortisation of premiums and discounts	(918)	111	(623)	111
Movement in accrued interest	572	(951)	572	(951)
Movement in impairment allowances	(1,434)	(5,436)	(1,434)	(5,436)
Write off of advances secured by mortgage	215	5,518	215	5,518
Movement in amortisation of origination fees and transaction costs	-	(12)	-	(12)
Other items				
Decrease (increase) in trading derivative assets	4	111	4	111
Decrease (increase) in trade receivables	42	(796)	(79)	(779)
(Increase) decrease in sundry receivables	(8)	(2)	(8)	(2)
Decrease (increase) in prepayments	10	90	11	90
(Increase) decrease in current tax	(2)	(11)	(1)	(11)
(Decrease) increase in trade payables	392	(666)	388	(670)
(Decrease) increase in other payables	(732)	354	(731)	355
(Decrease) increase in trading derivative liabilities	(343)	(1,645)	(343)	(1,645)
(Decrease) increase in prepaid income	(42)	(79)	-	(1)
(Decrease) increase in employee benefits	(67)	(908)	(67)	(908)
Increase (decrease) in provisions	(2)	132	(2)	133
Net cash flows from operating activities	**3,617**	**(3,933)**	**3,069**	**(4,868)**

33. Related parties

Crown-related parties

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

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

GROUP & PARENT	2014 $000	2013 $000
Revenue from Crown	3,278	3,802
Crown Receivable	-	666
Crown Payable	-	(662)

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

GROUP & PARENT 2014	NET INTEREST REVENUE $000	PURCHASES $000	SALES/ MATURITIES DATE $000	HOLDINGS AT REPORTING $000
State owned enterprises	1,913	58,837	70,000	52,684
NZ Government mixed ownership	48	7,945	4,000	3,993
	1,961	**66,782**	**74,000**	**56,677**
GROUP & PARENT 2013				
State owned enterprises	2,853	50,000	100,000	63,258
NZ Government mixed ownership	-	-	-	
	2,853	**50,000**	**100,000**	**63,258**

Group Investment Funds

Public Trust manages 40 (2013: 40) 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	2014 $000	2013 $000
Reimbursement of expenses	1,020	1,033
Management fee received	3,295	3,379
Advice and service fee	2,511	1,970
Interest paid	5	-
Interest received	2	1
Total balances with the Common Fund at end of the year	56	-
Total overdrafts with the Common Fund at end of the year	(261)	(269)

33. Related parties (continued)

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

On 27 February 2014, the Board of Public Trust approved the recommendations of a review of Public Trust's investment strategy resulting in the closure of the majority of managed funds under the current structure of 40 funds. From 1 July 2014 there will be 11 managed funds on offer, including the Funeral Trust Cash Fund. Existing investors will be migrated to the new fund structure at the end of July 2014.

Funeral Trust Cash Fund

The Funeral Trust Cash Fund (the Fund) is a Portfolio Investment Entity (PIE) managed fund structure. The Pre-paid Funeral Trusts invest through the Fund and are 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. 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	2014 $000	2013 $000
Interest paid	463	451
Total balances with the Common Fund at end of the year	32,915	33,306

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. 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.

The following specific transactions took place during the year in relation to New Zealand Permanent Trustees Limited.

PARENT	2014 $000	2013 $000
Management Free	1,040	990
Due from subsidiary	215	287
Investment in subsidiary	4,654	4,654
Loan from subsidiary	8,892	8,193

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.

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

34. Comparison of budget to actual

Assets and liabilities

Liabilities to clients decreased by $80.9 million compared with a budgeted decrease of $76.2 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 $3.5 million higher than budget. Fee revenue was $1.9 million above budget, largely offset by lower Common Fund interest revenue reflecting a lower investment risk profile and the reduced size of the Common Fund. Other revenue was $1.4 million ahead of budget reflecting mortgage loss recoveries from prior years which were realised following successful litigation.

Expenses

Expenses were $2.0 million below budget. Operating lease costs were $0.5 million higher than budget due to an onerous lease for a premises which was vacated earlier than expected when an engineering review highlighted a low earthquake rating. Impairment losses on advances secured by mortgage were $1.9 million favourable to budget due to the improvement in the quality of underlying assets.

Investment gains

Investment gains were $0.9 million ahead of budget as the sale of high risk legacy assets resulted in the reversal of previously recognised unrealised investment losses.

Profit and equity

Profit after tax was $4.6 million ahead of budget as a result of lower operating expenses, an improvement in the quality of the mortgage book and the mortgage loss recoveries from prior years. Public Trust has a capital surplus against the NBDT guidelines.

Cash flows

Cash flows from operating activities were $0.9 million higher than budget reflecting higher fee revenue and other income (mortgage loss recoveries) and a favourable variance due to the timing of interest receipts. Cash outflows from financing activities were $11.6 million higher than budget as the contraction of client term deposits was greater than expected.

35. Events after the reporting period

During July 2014 Public Trust closed its existing series of investment offers for which it acted as adviser and manager and replaced them with a new simplified Public Trust Investment Service for which it also acts as adviser and manager. The new investment offer is not open to members of the public (as defined by securities regulations). Consequently not all of the investors in the legacy funds were migrated into the new service. The financial impact of the change in investment offer is estimated to be an increase in net earnings of $815,000 over the five years to 30 June 2019.

Chartered Accountants

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 2014

The Auditor-General is the auditor of Public Trust and group. The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and 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 29 to 90, that comprise the statement of financial position as at 30 June 2014, the statement of profit and loss and other 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 on the statement of intent on pages 21 to 26.

Opinion

In our opinion:

- the financial statements of Public Trust and group on pages 29 to 90:
    - comply with generally accepted accounting practice in New Zealand;
    - comply with International Financial Reporting Standards; and
    - fairly reflect Public Trust and group's:
        - financial position as at 30 June 2014; and
        - financial performance and cash flows for the year ended on that date.
- The reportable non-financial performance information of Public Trust and group on pages 21 to 26:
    - complies with generally accepted accounting practice in New Zealand; and
    - fairly reflect Public Trust and group's service performance and outcomes for the year ended 30 June 2014, including for the reportable class of output:
        - 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 2 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board 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, in our judgement, are likely to influence readers' 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.

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 Public Trust and group's framework for reporting performance;
- 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.

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 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 Directors is also responsible for the publication of the final statements and non-financial performance information, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004, and the Public Trust Act 2001.

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 External Reporting Board.

In addition to the audit we have carried out assignments in the areas of the audit of Public Trust's managed funds and the completion of agreed upon procedures in relation to the managed funds. Other than the audit and these assignments, we have no relationship with or interests in Public Trust or any of its subsidiaries.

Stuart Mutch

Ernst & Young

On behalf of the Auditor-General

Wellington, New Zealand

Registered office

Public Trust Corporate Office
40 - 42 Queens Drive, Lower Hutt 6315

PO Box 31543, Lower Hutt 5040

Phone 0800 371 471
Fax 0800 371 001

Email info@publictrust.co.nz
Web www.publictrust.co.nz

www.publictrust.co.nz

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