B9

Annual Report

2019/20

publictrust.co.nz

Public Trust

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

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

This report covers the activities of the year ended 30 June 2020 and has been prepared to meet the requirements of:

- Section 150 of the Crown Entities Act 2004
- Public Trust's 2020 – 23 Statement of Intent.

On behalf of the Board, we have the pleasure of presenting the Annual Report of Public Trust for the year 1 July 2019 to 30 June 2020.

I. Fitzgerald

Ian Fitzgerald
Chair
Public Trust Board
25 September 2020

Graham Naylor
Chair
Audit and Finance Committee

Contents

Report from the Chair and Chief Executive

The year in review with Ian Fitzgerald, Chair

Kia ora koutou katoa

The 2019/20 year has been a year like no other – not just for Public Trust but for most of the world. No one foresaw the arrival of the COVID-19 pandemic and the far-reaching effects for people, communities and the global economy.

Public Trust has been fortunate to navigate the pandemic well with the strong people-focused leadership of our management team. The organisation was able to work with agility and adaptability, continuing to deliver its essential services to New Zealanders during the lockdown period while also prioritising the wellbeing and care of its people.

During lockdown, Public Trust launched its first online service for creating wills and enduring powers of attorney (EPAs), helping make these important services more accessible and affordable to all Kiwis. The online service has been more successful than anticipated, and its expedited launch during lockdown is proof of the organisation's resilience and ability to adapt during uncertain times.

Public Trust was in a strong position going into the COVID-19 situation, and it has maintained that position, accelerating out of lockdown and rebuilding momentum quickly.

A major focus for the organisation over the last year has been a review of how it operates and the development of a strategy that revisits our important obligations under the Public Trust Act.

Our rearticulated strategy for 2020 and beyond combines the best of our heritage with our customers' needs for both today and the future. We rebalanced the objectives from the Public Trust Act to bring greater focus to our people, customer and community outcomes, with our aspirations proudly putting people and our customers first, underpinned by financial sustainability.

Leading the strategy is our overarching aspiration to grow a sustainable trustee and supervisory services business that is compelling, relevant and accessible to all New Zealanders.

The efforts over recent years have put Public Trust in a stronger financial position. Despite adverse revenue impacts from the COVID-19 pandemic towards the end of the financial year, we have experienced an overall lift in pre-tax profit on the previous 12 months.

We will continue to focus on meeting our customers' needs through expanded product and service offerings, improving operational efficiency and positioning our people for success through training and coaching that focuses on delivering outstanding knowledge and service.

On the governance front, I would like to welcome new Board members Meleane Burgess and Kevin Murphy and thank outgoing members Bevan Killick and Fiona Oliver for their contribution. In particular, Fiona has made a significant contribution to Public Trust over her tenure as a director and more recently Deputy Chair.

I would like to acknowledge the hard work and commitment of Chief Executive Glenys Talivai and the Executive Team, our leaders and their teams and my fellow directors. It is their combined commitment to delivering exceptional service and building knowledge to better care for each other and our customers that sets us apart.

Public Trust was established almost 150 years ago to protect New Zealanders – particularly those who are most vulnerable – and as New Zealand's longest-serving trustee organisation, we have a proud history of doing just this.

By truly putting people at the heart of everything we do across all aspects of our operations and with relevant and accessible products and offerings, we are focused on growing a sustainable business that will be here for another 150 years.

Ngā mihi

I Fitzgerald

Ian Fitzgerald
Chair

The year's highlights with Glenys Talivai, Chief Executive

Tēnā koutou katoa

It is a huge privilege to lead Public Trust and work with so many talented people. We are Te Tari Tiaki Iwi – the organisation that takes care of people. Now, more than ever before, we are striving to live up to this name by putting people and their wellbeing at the heart of everything we do.

We have a very special organisation – one that is uniquely placed to put people first and make a real difference in the New Zealand community. This is not just through the products, guidance and protection we provide our customers, but also through our commitment to promoting the importance of trustee services and comprehensive estate planning and management.

These challenging and uncertain times have highlighted the calibre and dedication of our people, and I'm extremely proud of how we have all responded collectively to embrace the changes and move forward with positivity and growth.

The past year has seen the rearticulation of our strategy, which brings greater focus to our people, our customers and communities while being financially sustainable.

We have focused on elevating our culture of care, which encapsulates our commitment to wanting the best for each other, our business, our customers and the wider New Zealand community. The delivery of a number of initiatives to facilitate this include the introduction of more flexible ways of working to meet the different lifestyle needs of our team, the roll-out of a new recognition and reward programme, the launch of a social platform for our people to improve connection and our Tiaki wellbeing programme, which provides our people with resources and encouragement to make better choices for their health and wellbeing.

To ensure our services are compelling, relevant and accessible for all New Zealanders, we have committed significant resource and investment right across the organisation, with a focus on building future capability. This multi-layered approach extends to the launch of a new digital platform that allows us to give customers greater flexibility for how and when they access our products and services, a significant upgrade of our core technology system that will set us up for a better digital future, the development of social media strategies to better connect with our audience and the launch of our customer NPS (Net Promoter Score) programme.

By delivering strong outcomes for our people and our customers, we will continue to strengthen our financial sustainability through increased revenue growth and productivity.

Over the past year, we have seen solid performance in our Retail, Corporate Trustee Services and Investment businesses. We have invested in our properties with an upgrade to our Takapuna customer centre and a brand-new location for our Nelson centre. We also opened a new customer centre in central Auckland in the Shortland Street building to better serve customers in the CBD.

The 2019/20 year has been a year of refocus to bring our objectives into balance, and I'm really excited about the future we are creating for Public Trust.

Looking forward, we are committed to differentiating Public Trust in the market. Our aspiration will drive us to think differently about how we deliver our services with an unfaltering focus on finding new, innovative ways to serve our customers and ultimately delivering value for New Zealanders.

Ngā mihi

Glenys Talivai
Chief Executive

Our Board

Our Board is made up of seven members with backgrounds specialising in law, commerce, economics, human resources and finance.

The Board is committed to the highest standards of ethical behaviour and accountability. It has responsibility for the affairs and activities of Public Trust, recognising the importance of focusing on governance of the business and value growth rather than management of the organisation. The Chief Executive is charged with the day-to-day management of Public Trust and provides the principal link between the Board and management, acting within authorities delegated by the Board.

Kirsty Campbell
Deputy Committee Chair (since March 2020) Audit and Finance Committee, Member Risk and Assurance Committee

John Duncan
Deputy Board Chair (since February 2020), Chair People, Culture and Change Committee, Deputy Committee Chair (since March 2020) Risk and Assurance Committee

Graham Naylor
Committee Chair Audit and Finance Committee, Member Risk and Assurance Committee

Meleane Burgess
Member Audit and Finance Committee, Member Risk and Assurance Committee

Kevin Murphy
Committee Chair (since March 2020) Risk and Assurance Committee, Member People, Culture and Change Committee

Ian Fitzgerald
Board Chair, ex-officio Member Audit and Finance, Risk and Assurance, and People, Culture and Change Committees

Vicki Sykes
Deputy Committee Chair (since March 2020) People, Culture and Change Committee, Member Risk and Assurance Committee

Corporate governance

Public Trust is a Crown entity whose independence is guaranteed under the Public Trust Act 2001.

The Board believes that strong principles of corporate governance protect and enhance the assets of the organisation for the benefit of all shareholders and stakeholders. The application of a best-practice framework will support the Board in delivering on its primary role, which is to provide strategic guidance for Public Trust.

The Board is guided by the principles and recommendations of the Financial Markets Authority (FMA) handbook *Corporate Governance in New Zealand: Principles and Guidelines* issued in February 2018.

Ethical standards

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

The Board must also comply with Public Trust's Ethics Framework and Code of Conduct Policy and are provided with reports that detail any significant employee breaches of the framework and policy. These documents have been developed with external guidance from KPMG and the State Services Commission. Each of these documents is available on our website at publictrust.co.nz/about/corporate-governance and reflects the FMA principles and guidelines in so far as they are applicable to Public Trust.

Board composition and performance

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

The performance of the Board, committees and members is evaluated on a regular basis. To help develop our Board and enable them to deliver market-leading Board of Directors services, a Board performance assessment is facilitated regularly. All new Board members are provided with a comprehensive Board manual and undergo a formal induction. This includes attending the Treasury's induction programme, sessions with the Executive Team and site visits. Board members also undertake further education and training as necessary to ensure they have the skills and expertise needed to carry out their responsibilities.

Board committees

The Board had three standing committees during the reporting period: the Audit and Finance Committee, the Risk Assurance Committee and the People, Culture and Change Committee. Each committee has a charter that sets out its roles, responsibilities, composition and structure. Charters are reviewed annually and are available on our website at publictrust.co.nz/about/corporate-governance.

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

Reporting and disclosure

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

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

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

The Audit and Finance Committee assists with ensuring the integrity of our financial reporting by overseeing and providing advice to the Board on Public Trust's financial statements. We have internal controls in place that support the preparation of quality financial statements. This includes a system of policies and procedures, adherence to standard New Zealand accounting practices, employing appropriately qualified and experienced personnel, the use of independent auditors and seeking guidance from other professional organisations as required.

Remuneration

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

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

Risk management

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

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

Auditors

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

The external auditors EY have the opportunity to meet with the Audit and Finance Committee independently of management at least four times per year. During the year, the external auditors carried out non-audit work relating to market-based salary benchmark information. The Board is satisfied that this work did not compromise the auditor's objectivity and independence as it was outside the ambit of the audit. The Office of the Auditor-General also limits how much non-audit work can be performed by Public Trust's external auditors.

Shareholder relations and stakeholder interests

Public Trust is an autonomous Crown entity and, as a result, may be directed by the Responsible Ministers to have regard to government policy that relates to our functions and objectives. We can also be directed to give effect to a whole-of-government approach by the Ministers of Finance and State Services. We have a 'no surprises' policy between the Executive Team and our Board and between the Board and the Associate Minister of Justice. The Board Chair meets with the Minister and attends Select Committee meetings as required. We provide quarterly reports to the Minister on matters of note and as necessary when other matters arise. In addition to this, our Chief Executive and Chief Financial Officer meet with Treasury officials each quarter.

We are responsible for delivering positive outcomes to a wide range of stakeholders. Our Ethics Framework and Code of Conduct Policy guide how we interact with our customers, employees, Responsible Ministers, partners and the communities we serve.

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

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


Beca

Growing a strong New Zealand is our business

Like never before, the uncertainties of the last year have demonstrated that preparedness is everything.

At some point in life, every New Zealander will require one of our offerings and we want to make sure we are there for them. To do this, we must ensure our products and services are compelling in the market and providing our customers with what they need, when they need it.

As an organisation, we are uniquely placed to put people first and make a real difference. This is not just through the products we provide but also by how we guide and protect our customers through education and advocacy. As a Crown entity and with our own Act (Public Trust Act 2001), we also have a commitment to promote the importance of trustee services and comprehensive estate planning and management, while actively seeking to make a positive contribution to educating and developing the financial literacy of New Zealanders.

In consideration of these important obligations, we have rebalanced the objectives from our Act to bring greater focus to our people, customer and community outcomes, while also ensuring our financial sustainability. Underpinning this is a new emphasis on elevating our culture of care, which encapsulates our commitment to wanting the best for each other, our organisation, our customers and the wider New Zealand community.

For our customers, our core service offering hasn't changed, but we recognise that the way we deliver our services can be improved to meet the needs of a changing New Zealand population.

Diverse services to meet New Zealanders' needs

We've spent considerable time listening to customers about their expectations of Public Trust. As a result, we are introducing new channels to make our services more accessible and integrating these with existing channels to ensure a seamless experience.

We want to ensure that all New Zealanders have easy access to our services by giving them more choices about how they interact with us and making it more affordable for them to do so. In order to be compelling, relevant and accessible, we have invested in a new online platform that provides customers with increased information and choice when doing business with us. Our online services give our customer centre-based trustees more time to focus on the complex needs of our customers, in line with our culture of care.

Our commitment to putting people first is also evidenced through our stable of offerings and services for our corporate, business and charitable sectors.

Charities, tertiary education providers and fiduciary customers

As one of the country's largest charitable trust administrators and advisers, we assist more than 420 charities with our extensive expertise in charitable gifting and the establishment of charitable trusts and purposes. We also provide services to tertiary education providers and an array of services to fiduciary customers.

Corporate Trustee Services

Our Corporate Trustee Services offer some of Australasia's best-known institutions a full range of trustee services across a diverse portfolio of products, and we also supervise a number of KiwiSaver and superannuation scheme providers.

Public Trust in action

SNAPSHOT ONE:

Smedley Station and Cadet Training Farm

Growing Kiwi farming talent for nearly 90 years

In the Hawke's Bay heartland, there is a special place that's been training generations of agricultural leaders for close to a century.

Smedley Station and Cadet Training Farm is a unique training facility stretching across 5,600 hectares, providing hands-on agriculture skills training for young farmers.

The farm, originally owned by Josiah Howard, was bequeathed to the King upon Josiah's death in 1919 to be used for agricultural training of young Kiwi farmers. It is now held in trust for the Crown as a permanent endowment for the purposes of agricultural education. The first training course was opened in 1931, and since then, more than 800 young farmers have successfully graduated. Public Trust has administered Smedley Station on behalf of the Crown since its inception as a training facility.

Smedley Station operates as a commercial farm, running sheep, cattle and deer. It is a self-funding facility, and cadets attend free of charge, receiving a small bursary. The station is run by on-farm manager Rob Evans, who is responsible for the organisation and co-ordination of both the theoretical and practical aspects of cadet training.

In June 2019, the purchase of neighbouring land grew the station by 532 hectares, which Rob says has delivered exciting expansion opportunities over the last 12 months.

"We've upped the cadet intake from 11 to 13 each year and built a three-bedroom cottage on the new land, which will provide living quarters for cadets while working on that part of the station," says Rob. "It has also allowed us to employ Kim Rorrison to manage that block, as well as expand our breeding operation for sheep and cattle."

Interestingly, Kim Rorrison is himself a graduate of Smedley Station, and Rob adds that it's a real testament to the programme's success to have graduates returning as managers to help train their younger peers.

Smedley Advisory Board Chair Pat Portas says the station is an inherent part of the country's farming industry with an excellent reputation for growing young farmers and agricultural leaders.

"Developments over the last year have helped continue Smedley Station on the path of innovation it has been recognised for, for close to a century. Our programme is unique in the level of one-on-one training, and more land means more training without diluting the quality we're known for."

Demand for places is strong, and each year, around 80 applications nationwide are received from 16 to 18-year-olds for the limited places.

Over the 2-year cadetship, cadets are exposed to every aspect of sheep, cattle and deer farming. They undertake a diverse programme from traditional stockmanship to learning the latest advancements in farming technologies and core business components.

For 19-year-old senior cadet Lachie Gunson, the experience at Smedley Station has been life changing.

"Smedley Station has opened many doors for me. It has meant working in the agricultural sector and realising my dream of one day managing a property in the South Island is now a reality. This opportunity has been huge for me."

Public Trust in action

SNAPSHOT TWO:

TG Macarthy Trust

Legacy lives on for generations

The generosity of Englishman Thomas George Macarthy has been shared through many generations to help change the lives of New Zealanders in need.

Image courtesy Wellington City Council Art Collection.

Upon his death in 1912, Macarthy arranged with Public Trust to set up the Thomas George Macarthy Trust in order to gift his fortune to a range of charitable and educational organisations in the old Wellington provincial district.

The aim of the Trust was to help improve the quality of life for the disadvantaged and marginalised, help young people develop and realise their potential, look after and provide dignity for older people and provide essential medical and emergency services.

The Londoner left England in the early 1850s, attracted by the opportunities of the Victorian goldfields, and then in 1865, he crossed the Tasman to follow the gold rush to the West Coast of New Zealand. After some success in Reefton's goldfields, Macarthy established a small brewery at Charleston.

Expanding his business, Macarthy moved to Wellington where he purchased several breweries and diversified his interests further into shipping and property. He was a respected businessman and public figure, holding positions as director of the Wellington Opera House and a member of the Board of Directors of the Bank of New Zealand and the Wellington-Manawatu Railway Co.

Since its inception, the TG Macarthy Trust has given more than $80 million to a diverse range of community-based not-for-profit groups in the Wellington, Wairarapa, Manawatu, Kapiti, Horowhenua and Whanganui districts, with an average annual donation of over $2.5 million.

Over the last year, a total of $2.7 million was granted to 550 recipients. One of those was Mary Potter Hospice, receiving a grant of $275,000 for its new Porirua East community hub Te Whare Rānui, which will provide palliative care services to people from Khandallah to Pukerua Bay. The Hospice moved into part of the building in April last year, and work is under way on the $3 million redevelopment of the Awatea Street building.

TG Macarthy Trust administrator Natasha Naude, who is a Senior Client Adviser at Public Trust, says that from 1980 to 2019, the Trust has supported Mary Potter Hospice to the tune of $3.2 million.

"The grants have covered a variety of Hospice projects, including capital projects like Te Whare Rānui, that have made a huge difference to the community," says Natasha.

"As trustee, we are delighted to be able to maintain a consistent level of funding, through our prudent and professional management of the Trust, to help build strong, inclusive and supportive communities within the greater Wellington region for many years to come."

Public Trust proudly administers the Thomas George Macarthy Trust, under its Charitable Trust Services, to ensure the Trust is safeguarded and grown to benefit current and future generations of the community. The TG Macarthy Trust is considered one of New Zealand's largest perpetual charitable trusts with assets in excess of $90 million.

"As trustee, we are delighted to be able to maintain a consistent level of funding, through our prudent and professional management of the Trust, to help build strong, inclusive and supportive communities within the greater Wellington region for many years to come."

New ways of working for the future

Public Trust's ability to understand, navigate and evolve to meet the needs of customers is testament to the organisation's nearly 150-year legacy of helping New Zealanders.

Today's rapidly moving digital environment, coupled with our strategic commitment to make our services accessible to all, means a solid digital strategy has never been more critical.

Customer-focused digital platforms

We're working on building a digital strategy that will set us up for the future – a seamless omni-channel experience with more options for our customers. This approach looks at the key things that digital does best – scalability, consistency, 24/7 access, lower cost-to-serve – and applies these themes to our business to support our goal of helping more New Zealanders and driving sustainable growth through accessible, compelling and relevant services. Our online experience will aim to provide a personalised and human experience through easy-to-navigate self-service tools.

Making our services more accessible

In April, we launched a unique new online platform – a mobile-optimised digital tool that enables our customers to build their own wills, EPAs and statements of wishes online. This innovative self-service option means that customers can complete these documents in their own time, at any time, with guided support from live chat along the way. The launch of the platform was accelerated during lockdown, enabling customers to access Public Trust's important legal services from their homes.

Customer response to the initiative was extremely positive, with sales far exceeding expectations in the first 3 months. The platform has continued to see exceptional growth and customer interest since lockdown, with many of our existing customers eager to digitise their documents.

Enhancing our customer experience

Ensuring that we deliver customers a seamless experience continues to be our greatest gauge of success. Their ability to access the services they need, with ease of use and the appropriate level of tailored support and guidance, is a critical focus of our strategy.

Feedback from our customers has been very positive. They tell us that they like being able to complete important documents or parts of their estate planning at a time and place that suits them. They appreciate the support they can access throughout the process, and the lower price point has meant that these important services are more accessible to more Kiwis. We're continually listening to our customers to hear what's working for them and what we can do to improve their experience.

Our people – at the heart of Public Trust

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

Our Executive Team members have extensive local and global experience across a range of disciplines. Under the leadership of Chief Executive Glenys Talivai, the talented team of senior executives provide strategic and operational leadership and are a vital part of propelling Public Trust's vision and strategy forward.

Sarah Pepworth
General Manager Marketing and Customer Experience

Chris East
Chief Information Officer

Glenys Talivai
Chief Executive

David Callanan
Chief Legal and Risk Officer

Andrew Hughes
General Manager Corporate Trustee Services

Andrew Bhimy
General Manager People and Culture

Dan Devcich
Acting Chief Financial Officer

Julian Travaglia
General Manager Retail

Workforce percentages

87% Permanent full-time

9% Permanent part-time

3% Temporary full-time

1% Temporary part-time

Average length of service 5.75 years

Gender split percentages

Employees in non-leadership roles

67% Women

33% Men

Leaders

55% Men

45% Women

Age ranges and percentages

18% 19–29

23% 30–39

22% 40–49

28% 50–59

9% 60+

Ethnicities and percentages

31% New Zealand European/Pākehā

12% Asian

1% Scottish/Irish

2% New Zealand Māori

3% Pacific Islander

1% Australian

50% Other/Not disclosed

396 people

24 customer centres

A great place to work

Integral to starting on our new strategic path during the year was focusing on creating the right environment for our people – putting them at the heart of everything we do.

This refreshed commitment to our team and our culture is seeing particular focus on coaching and developing them to succeed in their roles and careers, creating opportunities to make it easier for them to deliver outstanding service and knowledge for customers.

Culture and engagement

By putting our people at the heart of everything we do, we are building a strong, empowering and inclusive culture where people are safe to speak and are listened to, respected and encouraged to develop their skills and capabilities. We understand the importance of having an engaged, motivated workforce and continually measure our culture through an annual engagement survey as well as smaller pulse surveys, which give our people the opportunity to provide valuable insights that lead to positive change. We are committed to making changes with our people and have rolled out a new way of working – people-led business design – to involve staff and customers in developing solutions that work for them. We have introduced a recognition and reward programme that celebrates our people and their contributions to our organisation and our customers and communities.

We recognise that the results we achieve are built on the commitment our people make to doing and being their best for each other, our organisation and our customers and communities.

Employee and leadership development

Investing in our people to develop their capability and strengthen leadership in our organisation is fundamental to our long-term success. We continue to grow and nurture our talent by providing the training and support they need to reach their full potential through mentoring, succession planning and targeted development.

A Learning Academy programme allows new starters in our Retail business to quickly gain the skills required for their roles. A 'staircase' of bronze, silver and gold level learning modules provides our trustees with a framework to develop their technical expertise.

A new Leadership Practices model has been researched and launched to help our leaders understand expectations. During lockdown, a series of leadership learning virtual workshops helped our leaders grow their capabilities against these practices.

Flourishing through flexible working

We believe in enabling careers and work environments that allow our people to engage in meaningful and fulfilling work, deliver on business objectives and balance their lifestyles outside of the office. This year has highlighted the importance of flexibility in the workplace and the need for technology-driven solutions to support our people in their work. All staff were issued with laptops in November and December, with our new Yes to Flex policy launched in January. Data shows that, since May, more than 20% of Public Trust staff have worked flexibly on any given day. We also launched a new connection platform, Workplace, to enhance internal communications and enable our people to remain connected, even if working remotely or flexibly.

Taking care of our people

We're taking care of our people's physical, emotional and mental wellbeing through the four pillars of our health, safety and wellbeing plan:

- Systems and processes – robust systems that enable safe and healthy work practices.
- Leadership and culture – role modelling health, safety and wellbeing by our leaders to ensure it is part of everything we do, every day.
- Risk management – effective management and monitoring of risks.
- Health and wellbeing – encompassing our people's physical, emotional and mental wellbeing.

Tiaki, our comprehensive wellbeing programme, is available for everyone to participate in, and our culture of safety and wellbeing is continually monitored and assessed. Our commitment to health, safety and wellbeing is embedded across the organisation and is consistently rated strongly in our staff engagement survey.

Recruitment and selection

We have a strong focus on nurturing our existing talent and providing opportunities to grow within the organisation. The focus of our recruitment practice is to ensure we hire the right people for the role and, most importantly, for our culture. In the last 12 months, significant work has been undertaken to understand what successful hires look like for Public Trust, and we have trained our principal trustees in effective recruitment practices.

Living our culture of care

A snapshot from our General Manager People and Culture Andrew Bhimy

How leaning into our culture of care helped us navigate COVID-19 as an essential service organisation – and regain momentum.

It's safe to say that recent events have made many of us reflect on what really matters – as humans, as a society and also, for many of us, as workplaces and leaders.

Our country's response to the global COVID-19 pandemic has been centred around acting swiftly, decisively and – perhaps most uniquely – with empathy. On a daily basis, we have been encouraged to be kind to one another as we navigate new and unprecedented challenges.

As a People and Culture leader, I see the immense value in this approach. Kindness and empathy have been at the forefront of our people strategy during my time at Public Trust – we call it our culture of care. Our business is all about supporting New Zealanders in times of need, so caring for our customers and each other is what we do. Recently, we've had the opportunity to live and breathe our culture of care on a whole other level.

As our country went into lockdown in late March, Public Trust was mandated an essential service organisation. We were suddenly tasked with the challenge of delivering all our services during a nationwide lockdown while making sure our team of nearly 400 felt supported and cared for.

The culture of care we had been quietly cultivating became the cornerstone of our response to this challenge. We made taking care of our people our first priority and trusted that the rest of our business requirements – delivering for our customers – would follow on from this.

After all, leading with trust is what our culture of care is all about. We trust that our people are capable and committed to doing a great job. Meanwhile, we recognise that our job is to create a safe, uplifting environment that supports them to do and be their best for our customers and the communities we serve.

However, when that environment shifted from the four walls of our customer centres and city offices to people's spare bedrooms, dining tables and home offices, we knew our approach had to shift too.

Some of these shifts were big, such as ensuring our people had everything they needed to do their jobs from home. We had already moved to a work-from-home set-up a few weeks before lockdown and – very luckily – had recently equipped all our people with new laptops only a few months prior.

Other changes were more subtle – more frequent communication to make sure everyone felt informed and included. The goal was to be kind and clear about what was expected of our people. In a nutshell, our message was: "Do what you can, when you can."

We encouraged our people to make time for kids, family and other considerations in their bubbles, while also simply dealing with the anxiety and complications this unprecedented situation was bringing to all our lives.

Our 'people first' response extended beyond this to include mental wellbeing workshops and resources to help our people manage stress and anxiety. We had a personal trainer offer up weekly exercise sessions via Zoom, and Friday afternoon events became cheeky virtual catch-ups, aptly named 'quarantinis'.

"After all, leading with trust is what our culture of care is all about."

Meanwhile, a leadership programme that had been planned before COVID-19 turned into a series of virtual leadership learning workshops designed to help our leaders support their teams during crises. The joy of this programme was that we used an emerging design approach – our leaders told us where they were at and what they needed each week, and our facilitators responded.

Surveys and feedback during lockdown and after helped us see what was working and what we could be doing better – and above all affirmed that our approach was working for our people.

There was no 'one thing' or 'silver bullet' that got us through the past few months – it was the layering of each of these actions, big and small, that helped us show our people we care. Ultimately, this care was reflected back to us as our people proved every day that they are committed to delivering good outcomes for our customers and communities.

Not only did we keep delivering our essential services during Alert Level 4 and beyond, we even launched a new online wills platform during lockdown, which has achieved success well beyond expectations. We are now quickly regaining momentum as we return to a 'new normal'.

But while things may feel more normal, we know there are still going to be bumps in the road. We're continuing to support and check in on our people. As for our culture of care, it's not going anywhere. We've found what works for our people and our organisation, and we won't be looking back.

Caring for our communities

Public Trust has a long and proud history of supporting local communities and causes around New Zealand. Over the last year, we have been privileged to help make a difference in the lives of Kiwis through our partnership with these charities and organisations.

Te Tari Tiaki Iwi

The organisation that takes care of people

Delivering on our strategy

How we're tracking

Over the last year, we've stepped up our focus on changing our service delivery to achieve differentiation for Public Trust in the market.

We do this by offering products and services that are compelling and relevant for our customers and ensuring that they are accessible from a convenience and affordability perspective.

Our four strategic goals outlined in our 2020–2023 Statement of Intent:

- To be relevant to every customer.
- Positively impacting New Zealanders' lives.
- Continue to invest in people.
- Focus on financial strength.

Overall performance against the 2019/20 Statement of Performance Expectations was tracking positively, but the full year's performance against targets was impacted by the change in conditions resulting from the COVID-19 pandemic.

Our progress against each strategic goal: 2019/20

1. To be relevant to every customer	
Measure	**Outcome**
Percentage of Public Trust customers retained each year.	Target of 97% retention achieved.
Number of new estates administered per year.	1,591 administered versus the full-year target of 1,778. The Alert Level 4 lockdown slowed the probate process such that the full-year target was not achieved.
Increase in Net Promoter Score. (During the year, the measurement of NPS changed from a twice-yearly survey to shorter NPS surveys sent out to all customers and beneficiaries after their visit. The FY20 target was adjusted to reflect the new methodology.)	NPS of 38 achieved, in line with target.
Increase in number of website visits each year.	310,248 website visits, significantly above the target of 265,000 visits.

2. Positively impacting New Zealanders' lives	
Measure	**Outcome**
Number of unique customers we've provided services for under the Ministry of Justice contract.	Services provided to 3,230 customers versus the full-year target of 3,600. The Alert Level 4 lockdown slowed the probate process such that the full-year target was not achieved.
Annual growth percentage for KiwiSaver assets under management.	17.84% growth achieved versus the targeted 8%.
New business sales for wills and EPAs.	6,689 versus full-year target of 7,410. The Alert Level 4 period impacted the volume of new business. However, the launch of online services in April 2020 provided an uplift in volume over the last quarter of FY20.

3. Continue to invest in our people	
Measure	**Outcome**
Number of courses completed as a percentage of total enrolled courses.	47% course completion versus the targeted 55%, due to changes in courses, which has seen a new programme of trusts training launched.
Reduction in total recordable injury frequency rate.	0.78 total recordable injury frequency rate versus the targeted 2.4.

4. Focus on financial strength	
Measure	**Outcome**
Annual revenue growth percentage.	Revenue was unfavourable to budget by $5.5 million. COVID-19 adversely impacted FY20 full revenue by $3.4 million. Excluding the impact of COVID-19, retail revenue was still down on budget as a result of vacancies and lower than budgeted productivity and recovery rates.
Increase productivity percentage by full-year average.	Productivity is 61.1%, slightly below the target rate of 62%. Productivity was impacted by the COVID-19 Alert Level 4 lockdown as the team adjusted to working from home and customer activity declined.

Looking ahead: 2020/21

During the year, an organisation-wide strategic review set in place a new aspiration for Public Trust with refreshed priorities and goals. These will provide an updated benchmark for the coming financial period and beyond.

Looking ahead, we will be delivering on our strategic aspiration by focusing on four priorities:

- Reinventing our customer and community value propositions.
- Expanding our existing channels and introducing new ones.
- Using people-led business design practices to improve processes.
- Optimising existing technology while experimenting with new solutions.

These four priorities will be underpinned by a focus on nurturing great culture and capabilities.

Public Trust is in a unique and privileged position to protect Kiwis. We have a deeply ingrained culture of care centred on supporting each other, our customers and communities. Our rearticulated strategy puts people firmly at the heart of everything we do in order to achieve our strategic aspiration to be compelling, relevant and accessible to all New Zealanders.

We've reinvigorated our strategy for a sustainable future

We've unveiled a new strategy that puts our customers and our people first while also focusing on our financial performance. We're elevating our culture of care and putting people at the heart of everything we do, all with our eye firmly on growing a sustainable business that will remain relevant in Kiwis' lives for another 150 years.

Our strategic aspiration

To **grow** a **sustainable** trustee and supervisory services business that is **compelling**, **relevant** and **accessible** to all New Zealanders.

Our customers

We provide trustee, licensed supervisory and estate management services including all associated legal, financial and other services nationally.

Retail and Investments

We provide Kiwis around the country access to comprehensive trustee and estate management services, with a focus on Auckland as a key growth area. We focus on these customers:

- **Retirees**
- **Empty nesters**
- **Older families**
- **Younger families**

How we'll execute our strategy

We'll execute our strategy by focusing on our **customers and communities**, **people-led business design**, **channels** and **technology**.

Customer and communities value propositions
to achieve great outcomes

People-led business design
to boost customer and employee experiences

We'll get there with great culture and capabilities

Our capability investments are focused on elevating our **culture** of care, **growing** our talent and **enabling** new ways of working.

- **Vision and values**
- **Technical capabilities**
- **Employee value proposition**
- **Leadership development**

Corporate Trustee Services

We protect Kiwis' investments by providing corporate trustee services to large funds and schemes.

Supervisor

Trustee

Custodial

Channel
to increase accessibility of all our products and services

Technology
to enable strategic initiatives

Change management

Digital

Our goals

by financial year 2023:

People

70%
employee engagement

Customer and community

50+
Customer Heartbeat NPS

Financial

$12–15 million
underlying net profit

Statement of performance

For the year ended 30 June 2020

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

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

Measuring the services we provide

Service	Measure	Achievement
Providing Protection of Personal and Property Rights Act 1988 administration, audit and advice services to incapacitated persons or under Public Trust agencies.	Hours to manage and advise individuals under the Protection of Personal Property Rights Act.	9,867 undertaken. (8,000 forecast for 2019/20.)
Administration of small and/or complex estates and trusts, including providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a will has been made.	Hours to manage and advise on small estates and trusts.	3,761 undertaken. (4,500 forecast for 2019/20.)
Examination of statements filed in court by any manager who is not a trustee corporation under section 46 of the Protection of Personal and Property Rights Act 1988.	Hours taken to examine statements.	7,203 undertaken. (4,000 forecast for 2019/20.)

Revenue and expenses

Expected	Actual
Expected revenue 2019/20: $2.6 million (GST exclusive)	Revenue: $2.6 million (GST exclusive)
Proposed expenses 2019/20: $3.1 million (GST exclusive)	Expenses: $3.8 million (GST exclusive)

Measuring our performance

The quality and impact of the services we provide and their contribution to Ministry of Justice outcomes are outlined in our 2019/20 Statement of Performance Expectations and are measured below.

Outcome	Measure	Achievement
Provide access to trustee services that individuals are unable to obtain within their own means.	Public Trust's contact centre is available 95% of the time between 8.00am and 5.30pm, Monday to Friday. Online resources available with less than 40 hours down time per annum. Nationwide network of customer centres available during business hours.	We maintain a mix of channels where the public can easily access our services. In addition to our existing channels, we now offer online services for wills, EPAs and statements of wishes. We continue to focus on building a smooth omni-channel experience and offer live chat for support across our website and online services platform. We have 34 sites available for customers, with 23 dedicated for customer visits on a full-time basis and 11 appointment-only sites. Our contact centre is available between 8.00am and 5.30pm, Monday to Friday, through our 0800 number. The contact centre experienced two phone outages, both due to the Spark upgrade. Outages were experienced in January and February totalling 2 hours and 30 minutes. Our website had an up time of 99.77% (target of 95%) for the 2019/20 period. The 0.23% downtime was due to system monitoring and upgrades and routine maintenance. The PT Online website had three outages totalling 30 minutes and were all due to system maintenance.
Provide quality and responsive/timely services.	Customer satisfaction rating (as measured through an independent survey). To achieve a Net Promoter Score (NPS) of 15. 80% of complaints are closed within 30 days and less than 5% of complaints are referred to an external dispute resolution provider.	We achieved a Net Promoter Score of 33 with 56% of customers very satisfied (rated us in the range of 8–10 out of 10) with a base of 2,452 customers who responded to the NPS survey. 83% of all complaints were closed within 30 days. 10% were referred to an external dispute resolution provider.
Provide trustee services to more New Zealanders.	To grow probate market share (estates includes Executor Assist) to 12%.	We administered 1,591 new estates in FY20 constituting 9.7% of probate market share.

Common fund reporting

Public Trust's Common Fund contains fiduciary customers' trust account money and is government guaranteed. The Common Fund is subject to strict investment guidelines that ensure it maintains a conservative risk/return profile. The primary measures used to monitor the Common Fund's risk exposure are the value at risk and liquidity test.

Value at risk (VaR)

Measure	2019/20 Forecast	Achievement	
Common Fund VaR at 95% confidence level over a 12-month period, measured quarterly.	VaR will not exceed 0.4%.	Common Fund VaR as at each quarter end:	
		30 September 2019	0.29%
		31 December 2019	0.27%
		31 March 2020	0.23%
		30 June 2020	0.36%

The Common Fund VaR measure of 0.4% at 95% confidence is the same as stating that Public Trust is confident that 95% of daily returns will be greater than -0.4% of the fund value over a 12-month period.

Liquidity test

Measure	2019/20 forecast	Achievement	
Percentage of Common Fund assets that can be liquidated within 100 days, measured monthly.	At least 33% (by dollar value) of Common Fund assets can be liquidated within 100 days.	Common Fund liquidity ratio as at end of each month:	
		31 July 2019	53.8%
		31 August 2019	58.0%
		30 September 2019	56.7%
		31 October 2019	58.2%
		30 November 2019	60.5%
		31 December 2019	46.4%
		31 January 2020	47.4%
		29 February 2020	50.7%
		31 March 2020	58.6%
		30 April 2020	65.7%
		31 May 2020	62.4%
		30 June 2020	60.2%

Financial information

Funds under management

as at 30 June 2020

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

	2020 ($M)	2019 ($M)
Fiduciary assets		
Funds under management		
Common Fund	322	318
Public Trust Investment Service	730	703
Assets under management	2,973	3,080
Funds under supervision	119,570	101,457

Statement of responsibility

for the year ended 30 June 2020

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

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

In the opinion of the Board of Public Trust, the consolidated financial statements and statement of performance for the year ended 30 June 2020 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Ian Fitzgerald
Chair
Public Trust Board
25 September 2020

Graham Naylor
Chair
Audit and Finance Committee

Consolidated statement of financial position

as at 30 June 2020

	Notes	Actual 2020 ($000)	Unaudited budget 2020 ($000)	Actual 2019 ($000)
Assets				
Cash and cash equivalents		21,930	18,640	17,472
Investment securities	8	326,474	296,217	325,969
Trade receivables	9	3,083	2,546	2,658
Advances to clients	10	2,906	2,541	2,667
Total financial assets		**354,393**	**319,944**	**348,766**
Contract assets	9, 20	9,088	9,177	9,583
Other assets		4,053	5,122	4,213
Right-of-use assets	21	13,072	–	–
Intangible assets	12	26,846	23,437	25,403
Deferred tax asset	11	10,163	9,663	10,163
Total assets		**417,615**	**367,343**	**398,128**
Liabilities				
Liabilities to clients – at call or short term		321,549	286,000	318,131
Liabilities to clients – term deposits		–	14	12
Total liabilities to clients		**321,549**	**286,014**	**318,143**
Trade payables		2,169	1,173	3,637
Derivative financial instruments		–	118	301
Employee benefits	13	4,606	4,211	4,091
Provisions	14	2,334	2,411	3,475
Contract liabilities	20	294	237	312
Lease liabilities	21	13,313	–	–
Other liabilities		593	538	877
Total liabilities		**344,858**	**294,702**	**330,836**
Equity				
Contributed equity		90,174	90,174	90,174
Accumulated losses		(17,417)	(17,533)	(22,882)
Total equity	15	**72,757**	**72,641**	**67,292**
Total liabilities and equity		**417,615**	**367,343**	**398,128**

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

For and on behalf of the Board, who authorised the issue of these consolidated financial statements on 25 September 2020.

Ian Fitzgerald
Chair
Public Trust Board
25 September 2020

Graham Naylor
Chair
Audit and Finance Committee

Consolidated statement of changes in equity

for the year ended 30 June 2020

	Contributed equity ($000)	Accumulated losses ($000)	Total equity ($000)
Actual as at 1 July 2018	90,174	(28,318)	61,856
NZ IFRS 9 equity adjustment	–	(162)	(162)
Profit for the year	–	5,598	5,598
Total comprehensive income for the year	**–**	**5,436**	**5,436**
Actual as at 30 June 2019	**90,174**	**(22,882)**	**67,292**
Profit for the year	–	5,465	5,465
Total comprehensive income for the year	**–**	**5,465**	**5,465**
Actual as at 30 June 2020	**90,174**	**(17,417)**	**72,757**
Unaudited budget as at 30 June 2019	**90,174**	**(23,517)**	**66,657**
Profit for the year	–	5,984	5,984
Total comprehensive income for the year	**–**	**5,984**	**5,984**
Unaudited budget as at 30 June 2020	**90,174**	**(17,533)**	**72,641**

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

Consolidated statement of total comprehensive income

for the year ended 30 June 2020

	Notes	Actual 2020 ($000)	Unaudited budget 2020 ($000)	Actual 2019 ($000)
Revenue				
Interest from interest-bearing securities		7,842	7,916	9,461
Interest from advances		193	–	259
Less: Interest expense		(958)	(947)	(1,081)
		7,077	6,969	8,639
Revenue from contracts with customers	20	56,792	62,472	55,344
Other revenue		41	–	2
Net revenue		**63,910**	**69,441**	**63,985**
Expenses				
Employee benefits		(36,616)	(40,334)	(37,593)
Operating lease costs		(453)	(3,300)	(3,042)
Depreciation		(3,543)	(1,127)	(959)
Amortisation of intangible assets	12	(3,694)	(3,514)	(3,099)
Other expenses		(13,549)	(15,182)	(14,249)
Total expenses		**(57,855)**	**(63,457)**	**(58,942)**
Interest on lease liabilities	21	(256)	–	–
Net (losses) gains on financial instruments		(334)	–	55
Profit before tax for the year		**5,465**	**5,984**	**5,098**
Income tax benefit	11	–	–	500
Profit after tax for the year		**5,465**	**5,984**	**5,598**
Total comprehensive income for the year		**5,465**	**5,984**	**5,598**

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

Consolidated statement of cash flows

for the year ended 30 June 2020

	Actual 2020 ($000)	Unaudited budget 2020 ($000)	Actual 2019 ($000)
Cash flows from operating activities			
Receipts from customers	56,662	63,837	53,841
Interest received from investments	7,333	8,162	8,897
Payments to suppliers and employees	(53,141)	(62,377)	(54,044)
Interest paid	(959)	(1,078)	(1,112)
Net cash flows generated from operating activities	**9,895**	**8,544**	**7,582**
Cash flows from investing activities			
Net flows from investments*	(677)	17,337	27,464
Purchase of other assets	(951)	(1,423)	(756)
Purchase of intangible assets	(4,637)	(1,224)	(1,662)
Net cash flows (used in) generated from investing activities	**(6,265)**	**14,690**	**25,046**
Cash flows from financing activities			
Net receipts from (payments to) clients*	3,407	(22,601)	(42,834)
Principal lease payments	(2,579)	–	–
Net cash flows generated from (used in) financing activities	**828**	**(22,601)**	**(42,834)**
Net increase (decrease) in cash and cash equivalents	**4,458**	**633**	**(10,206)**
Cash and cash equivalents at the beginning of the year	17,472	18,007	27,678
Cash and cash equivalents at the end of the year	**21,930**	**18,640**	**17,472**

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

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

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

for the year ended 30 June 2020

	2020 ($000)	2019 ($000)
Profit before tax for the year	**5,465**	**5,098**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and (gains) losses on disposal	3,543	959
Amortisation and (gains) losses on disposal	3,694	3,099
Unrealised (gains) losses and amortisation of premiums and discounts	–	(10)
Movement in accrued interest income	(702)	(15)
Movement in accrued interest expense	(1)	–
Interest on lease liabilities	256	–
Net losses on financial instruments	334	–
Other non-cash adjustments:		
Movement in impairment loss allowance	66	(144)
Movement in impairment on advances and mortgage allowances	–	(348)
Movement in accrued purchases of other assets and intangible assets	(500)	4
	6,690	**3,545**
Working capital changes		
(Increase) decrease in trade receivables	(491)	113
(Increase) decrease in contract assets	495	(2,351)
(Increase) decrease in other assets excluding property, plant and equipment	132	(61)
Increase (decrease) in trade payables	(1,468)	(470)
Increase (decrease) in employee benefits	515	(21)
Increase (decrease) in provisions	(1,141)	1,724
Increase (decrease) in contract liabilities	(18)	(5)
Increase (decrease) in other liabilities	(284)	10
	(2,260)	**(1,061)**
Net cash flows generated from operating activities	**9,895**	**7,582**

Changes in liabilities arising from financing activities

for the year ended 30 June 2020

	Opening ($000)	Cash flows ($000)	Non-cash movements ($000)	Closing ($000)
2020				
Liabilities to clients	318,143	3,407	(1)	321,549
Lease liabilities	15,676	(2,579)	216	13,313
Total liabilities from financing activities	**333,819**	**828**	**215**	**334,862**
2019				
Liabilities to clients	360,889	(42,834)	88	318,143
Lease liabilities	–	–	–	–
Total liabilities from financing activities	**360,889**	**(42,834)**	**88**	**318,143**

Notes to the consolidated financial statements

for the year ended 30 June 2020

1. General information

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

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

2. Basis of preparation

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

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

Comparatives

Certain comparative figures within the consolidated financial statements have been reclassified to align with the current period presentation. The reclassifications do not have a significant impact on the consolidated financial statements.

Measurement basis

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

Functional and presentation currency

All transactions and balances are presented in New Zealand dollars, which is also the Group's functional currency.

Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand dollars ($000) unless otherwise stated.

Budget

The budget figures are not audited and are those included in the 2019/20 Statement of Performance Expectations.

3. Basis of consolidation

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

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

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

4. Significant accounting policies

Financial instruments

Classification

The Group classifies financial instruments depending on its business model for managing the financial instruments and the contractual terms of the cash flows.

Initial recognition and measurement

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

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

(i) Financial assets and liabilities at fair value through profit or loss

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

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

Fair value hedges

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

(ii) Financial assets at amortised cost

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

Financial assets in this category include:

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

Cash and cash equivalents include cash on hand, cash at bank (including any overdraft) and money market deposits on call. Cash and cash equivalents are recognised at their cash settlement value.

Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

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

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

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

(iii) Financial liabilities at amortised cost

Financial liabilities in this category include:

- liabilities to clients
- trade and other payables.

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

Foreign currency transactions

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

Intangible assets

Goodwill

Goodwill arising from business combination is initially measured at cost, being the excess of the consideration transferred and the fair value net of identifiable assets acquired and liabilities assumed. Goodwill is subsequently carried at cost less any accumulated impairment losses.

IT assets and development costs

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

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

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

Impairment of assets

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

An impairment loss is recognised for any amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using a discounted cash flow model. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

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

Impairment of goodwill

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired subject to an annual impairment test. Any impairment is recognised in profit or loss as a permanent reduction in the carrying value. Impairment losses recognised for goodwill are not subsequently reversed.

Goodwill is allocated to the Corporate Trustee Services cash-generating unit (CGU) for the purpose of impairment testing. The allocation is made on the basis that this CGU is expected to benefit from the business combination in which the goodwill arose. The CGU was identified at the lowest level at which goodwill is monitored for internal management purposes.

Impairment testing is done using a discounted cash flow model. Further details on the methodology and assumptions used are outlined in note 12.

Employee benefits

Annual leave

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

Long-service leave

A provision is made for long-service leave benefits on an actuarial basis. Projected cash flows are estimated in accordance with both national and entity experience. The resulting projected cash flows are discounted in accordance with a Treasury risk-free rate as at the reporting date.

Leases

The Group leases various offices, motor vehicles and IT equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As explained in note 5, the Group has changed its accounting policy for leases where the Group is the lessee.

Until 30 June 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Any lease incentives are amortised over the estimated occupancy periods and offset against lease expenditure in profit or loss. The estimated occupancy period is based on the contractual terms of the lease and is reviewed annually.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that are based on an index or a rate initially measured using the index or rate as at the commencement date.
- Lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease if that rate is readily determinable. If the interest rate is not readily determinable, the Group applies its incremental borrowing rate. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a Treasury risk-free discount rate (to serve as the risk-free interest rate), adjusted for the Group's credit risk and entity-specific margin.

The Group is exposed to potential future increases in variable lease payments based on an index or rate. These have been included in the lease liability based on management's best estimate at the date of assessment. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of offices and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

Taxes

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

Current tax

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

Deferred tax

Deferred tax is provided using the liability method on:

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

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

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

Goods and services tax

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

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

Receivables and payables are recognised inclusive of any applicable GST.

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

Revenue from contracts with customers

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

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

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

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

Fees revenue

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

Variable consideration

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

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

Contract balances

Contract assets

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

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

Contract liabilities

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

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

Provisions

General

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

Restructuring

The restructuring provision relates primarily to the termination of employment. This is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly before or at the reporting date. This provision is carried at the estimated amount of cash necessary to settle the obligation. It is expected the sums provided will be paid within 12 months after the reporting period.

Remedial work and litigation

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

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

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

Make good

The make-good provision relates to contractual obligations resulting from the Group entering into lease contracts. The provision is calculated using the present value of management's best estimate of the expenditure required to make good the condition of the buildings upon terminating the lease and vacating the premises. These costs have been capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets.

Presentation of cash flows

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

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

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

Net cash flows from financing activities are substantially comprised of:

- movements in liabilities to clients
- cash payments for the principal portion of the lease liabilities.

5. Changes in accounting policies

New and amended financial reporting standards and interpretations

The Group has applied NZ IFRS 16 Leases for the first time for its annual reporting period commencing 1 July 2019. The Group elected to early adopt the Definition of a Business – Amendments to NZ IFRS 3. The nature and effect of the changes as a result of adopting these new standards and amendments are described below.

Several other amendments and interpretations apply for the first time from 1 July 2019 but do not have an impact on the consolidated financial statements of the Group.

(i) NZ IFRS 16 Leases

The Group was required to change its accounting policies as a result of adopting NZ IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019, as permitted under the simplified transition approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balances on 1 July 2019. The new accounting policies are disclosed in note 4.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases that had previously been classified as operating leases under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.76%.

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019.

Measurement of lease liabilities

	($000)
Operating lease commitments disclosed as at 30 June 2019	**7,324**
Discounted using the lessee's incremental borrowing rate at the date of initial application	6,114
Add: lease contracts committed subsequent to 30 June 2019	49
Add: adjustments as a result of a reassessment of extension options	9,818
Add: adjustments relating to changes in the index	2,013
Less: contracts reassessed as not lease contracts	(2,023)
Less: short-term leases not recognised as a liability	(295)
Lease liability recognised as at 1 July 2019	**15,676**

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 July 2019:

Balance sheet line item	($000)
Assets	
Right-of-use assets	15,676
Liabilities	
Lease liabilities	15,676

The net impact on retained earnings on 1 July 2019 was nil.

(ii) Definition of a Business – Amendments to NZ IFRS 3

The amendments that are effective for business combination or asset acquisition transactions with an acquisition date on or after 1 July 2020 narrows the definition of a business and introduces an optional fair concentration test among other changes. The Group has early adopted the amendments and has elected to apply the concentration test on a transaction-by-transaction basis.

There are no other new or amended standards and interpretations published that are not mandatory for 30 June 2020 reporting periods that have been early adopted by the Group.

6. Significant accounting judgements, estimates and assumptions

Use of judgements and estimates

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

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

Variable consideration (note 20)

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

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

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

Contracts with a significant financing component (note 9)

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

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

Trade receivables and contract assets (note 9 and note 20)

Impairment analysis is performed regularly for trade receivables and contract assets (excluding receivables of uncertain timing) using the simplified lifetime expected credit loss approach. Loss allowances are based on the aged profile of the receivable or contract asset, historical trends of recoverability by age and service type, review of clients' ability to pay expected or outstanding fees and current economic and forecasts of future conditions.

Taxes (note 11)

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

Goodwill (note 12)

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

Provisions (note 14)

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

Leases (note 21)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of offices, the following factors are normally the most relevant:

- If there are significant penalties to early terminate, the Group is typically reasonably certain to not early terminate.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption resulting from replacing the leased asset.

Extension options in motor vehicle leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

7. Supplementary information

Crown guarantee

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

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

On 19 May 2020, Fitch reaffirmed a credit rating to Public Trust of AA on the basis of Public Trust's legal status, control and oversight and the view that support from the New Zealand Government would be forthcoming, if needed.

8. Investment securities

	2020 ($000)	2019 ($000)
Financial assets at amortised cost		
Term deposits subject to fair value hedges		
Banks	–	16,083
Interest-bearing securities		
State-owned enterprises	21,997	9,043
Mortgage-backed securities	369	508
Corporates	36,434	55,592
Term deposits		
Banks	228,478	204,987
State-owned enterprises	39,196	39,756
Total investment securities	**326,474**	**325,969**

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

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

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

	Carrying amount 2020 ($000)	Fair value 2020 ($000)	Carrying amount 2019 ($000)	Fair value 2019 ($000)
Term deposits				
Banks	228,478	228,478	204,987	204,478
State-owned enterprises	39,196	39,196	39,756	39,648

The Group ceased its hedging activities in September 2019 and extinguished hedged items in their entirety, which is recognised in profit or loss. Accordingly, the Group has discontinued fair value hedge accounting.

Interest rate risk

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

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

The Group uses a 95% confidence interval (i.e. there is a 5% probability that the impact from market fluctuations exceeds the level calculated) and assumes a 1-year holding period. The 1-year VaR at 95% confidence level is $1,230,244 in 2020 (2019: $932,828). This is applied to the full range of interest-bearing financial assets and liabilities, irrespective of whether those instruments are calculated at fair value or otherwise. The resultant measure is the true economic loss rather than that which would be immediately recognised.

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

- A 1-year holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the VaR model used, there is a 5% probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's nature of investments and the volatility of market prices. Given an unchanged investment portfolio, VaR will reduce if market price volatility declines and will increase if market price volatility grows.

Credit risk

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

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

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

	2020 ($000)	2019 ($000)
Long-term credit rating		
AAA	369	508
AA-	31,026	32,239
A	18,014	21,064
	49,409	**53,811**
Short-term credit rating		
A1+	225,788	190,862
A1	55,226	81,764
A2	17,981	17,003
	298,995	**289,629**
Unrated – other financial assets*	5,989	5,326
Total financial assets	**354,393**	**348,766**

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

9. Trade receivables and contract assets

	2020 ($000)	2019 ($000)
Trade receivables		
Accrued interest	3	17
Fees receivable	4,054	3,549
Total trade receivables, gross	4,057	3,566
Collective impairment allowance		
Opening balance	(908)	(1,052)
Charge for the year	(223)	(130)
Reversal of unused provision	157	274
Total collective impairment allowance	**(974)**	**(908)**
Total trade receivables, net	**3,083**	**2,658**

	2020 ($000)	2019 ($000)
Contract assets		
Receivables of uncertain timing*	3,407	3,555
Work in progress**	5,681	6,028
Total contract assets	**9,088**	**9,583**

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

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

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

Customer credit risk

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

Provisions have been applied to trade receivables and receivables of uncertain timing where there are indicators of low credit quality.

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

	Contract assets ($000)	Neither past due nor impaired ($000)	Past due but not impaired				Total ($000)
			1–30 days ($000)	31–60 days ($000)	61–90 days ($000)	More than 90 days ($000)	
2020	9,088	1,346	674	170	55	838	**12,171**
2019	9,583	885	795	263	134	581	**12,241**

10. Advances to clients

Customer credit risk

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

The credit quality of advances to clients that are neither past due nor impaired is considered to be high as Public Trust is trustee and administrator for the clients and generally has first call over the clients' assets. The allowance for impairment as at 30 June 2020 is $15,000 (2019: $14,000).

11. Income tax

Tax benefit comprises	2020 ($000)	2019 ($000)
Deferred tax		
Origination and reversal of temporary differences	604	179
Recognition of previously unrecognised deferred tax losses	(604)	(679)
Tax benefit	**–**	**(500)**

The amount of deferred tax asset recognised from carry-forward losses represents the expected benefit of utilising tax losses against taxable profit and taxable temporary differences in the foreseeable future. The benefit was recognised on the basis that Public Trust has demonstrated consistent profitability over the past 4 financial years following a significant organisational transformation and the implementation of a new organisation-wide operating platform in FY16. Profits are forecast to continue improving, and any increase in tax losses that may be incurred in the coming years will be as a result of temporary differences arising from amortisation of Public Trust's operating platform.

Reconciliation of tax benefit and the accounting profit:

	2020 ($000)	2019 ($000)
Profit before tax	5,465	5,098
Income tax at 28%	1,530	1,427
Non-deductible expenses for tax purposes	8	14
Adjustments in respect of current income tax of previous years	–	(426)
Previously unrecognised tax losses now recouped to reduce current tax expense	(934)	(1,015)
Utilisation of previously unrecognised tax losses	(604)	(500)
Tax benefit	**–**	**(500)**

The deferred tax asset comprises:

	2020 ($000)	2019 ($000)
Fees receivable	526	684
Property, plant and equipment and intangible assets	(3,934)	(3,757)
Employee benefits	1,022	960
Provisions	653	973
Contract liabilities	23	23
Other	–	11
Tax losses	11,873	11,269
Deferred tax asset	**10,163**	**10,163**

The Group has unused tax losses of $8,835,073 (2019: $14,618,155).

12. Intangible assets

Transaction details	2020 ($000)	2019 ($000)
Intangible IT assets		
Cost		
Opening balance	35,033	34,821
Additions	458	116
Transfers from intangible assets in development	6,110	518
Disposals	(2)	(422)
Closing balance	**41,599**	**35,033**
Accumulated amortisation and impairment		
Opening balance	(13,762)	(10,825)
Amortisation for the year	(3,694)	(3,099)
Disposals	–	162
Closing balance	**(17,456)**	**(13,762)**
Net carrying value	**24,143**	**21,271**
Intangible assets in development		
Opening balance	1,627	258
Additions	4,681	1,887
Transfers to intangible IT assets	(6,110)	(518)
Closing balance	**198**	**1,627**
Goodwill arising on acquisition		
Opening and closing balance	2,505	2,505
Carrying value of intangible assets	**26,846**	**25,403**

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

The internal detailed calculation performed in 2020 indicates that the recoverable amount exceeds the carrying value of the CTS CGU. Key judgements and assumptions from the 2020 impairment test were as follows:

- The recoverable amount of the CGU was $32.53 million calculated on the basis of value in use, using a discounted cash flow model.
- Future cash flows were projected out 5 years, based on the Board approved 3-year business plan, with forward projections made for years 4 and 5.
- Key assumptions include funds under supervision, business development initiatives and operating costs. These assumptions reflect past experience as well as the recent impact of COVID-19 on financial markets.

- CTS fee revenue was based on the business plan adjusted for projected changes in funds under supervision over the period. Management determined budgeted contribution margin based on the value of funds under supervision at budget time taking into account KiwiSaver/business superannuation contributions less an allowance reflecting weaker financial markets resulting from the impact of COVID-19.
- Revenue growth assumptions taking into account the competitive nature of the market were applied.
- A terminal growth rate of 1.5% was used, which is considered conservative as it is below the current annual growth rates of the New Zealand economy and CTS funds under supervision.
- A pre-tax weighted average cost of capital discount rate of 9.9% was applied to compute present value.

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

13. Employee benefits

	2020 ($000)	2019 ($000)
Annual leave	1,754	1,478
Long-service leave	1,395	1,198
Salaries accrual	956	663
Performance incentive payments	501	752
Total employee benefits	**4,606**	**4,091**

The calculation of long-service leave assumes a salary increase of 2.5% (2019: 2.5%). An additional 1% increase in salary would increase the provision by $97,000 (2019: $70,000).

The Group contributes towards KiwiSaver and the Government Superannuation Scheme. Contributions to these defined contribution plans were $931,000 in 2020 (2019: $883,000).

14. Provisions

	Remedial work and litigation 2020 ($000)	Make good 2020 ($000)	Restructuring 2020 ($000)	Total 2020 ($000)
Opening balance	1,731	449	1,295	3,475
Additional provisions made	745	186	16	947
Amounts used	(502)	–	(1,176)	(1,678)
Unused amounts reversed	(291)	–	(119)	(410)
Closing balance	**1,683**	**635**	**16**	**2,334**

Remedial work and litigation

No insurance reimbursements expected upon the final resolution of such matters have been recognised within sundry receivables (2019: nil).

15. Equity

Capital management

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

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

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

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

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

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

16. Financial liabilities

Liquidity risk

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

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

The Group mitigates liquidity risk by managing the maturity schedule of both its assets and its liabilities.

On a daily basis, sufficient cash or maturing assets are held to meet all anticipated requirements. In addition, a significant part of the investment portfolio consists of highly marketable securities that can be readily liquidated.

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

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

The following table sets out the undiscounted contractual cash flows for financial liabilities.

	Carrying amount ($000)	Contractual cash flows ($000)	1 year or less ($000)	1–2 years ($000)	2–5 years ($000)	Over 5 years ($000)
2020						
Liabilities to clients	321,549	321,549	321,549	–	–	–
Trade payables	2,169	2,169	2,169	–	–	–
Other liabilities	593	593	593	–	–	–
	324,311	**324,311**	**324,311**	**–**	**–**	**–**
2019						
Liabilities to clients	318,143	318,143	318,143	–	–	–
Trade payables	3,637	3,637	3,637	–	–	–
Derivative financial instruments	301	301	301	–	–	–
Other liabilities	877	877	856	15	6	–
	322,958	**322,958**	**322,937**	**15**	**6**	**–**

17. Audit fees

	2020 ($000)	2019 ($000)
Audit of the financial statements	269	263
Audit fees for non-consolidated managed funds	58	57
Other fees paid to auditors*	6	45

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

18. Related-party transactions

(i) Group information

Ultimate Parent

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

Consolidated subsidiaries

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

All subsidiaries are 100% owned.

Unconsolidated structured entities

- Investment funds – as part of its service offering to customers, the Group operates a number of investment funds, established under the 2001 Act, to meet investment management needs of customers. At balance date, there were five funds in operation (excluding the Funeral Trust Cash Fund) with unit holders' funds of $713 million (2019: $675 million). The risk of investment losses from unit price declines lies with the funds' unit holders.
- Funeral Trust Cash Fund– the fund is a portfolio investment entity (PIE) managed fund. Funds invested are protected by the Crown guarantee on capital and interest because all fund balances are held within the Common Fund (including revenue earned, investment and cash balances). The Group acts as the trustee, manager and administrator of the fund.
- Special-purpose vehicles – unconsolidated entities wholly owned by the Group. The shareholdings in these entities are held in a fiduciary capacity on behalf of the beneficial owners. These entities are incorporated for a narrow, well-defined objective and operate within contractual financial and operating policies that the Group does not have power to alter. Risk lies with the beneficial owner. The Group receives a predetermined fixed fee directly from the beneficial owner for the fiduciary services provided.

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

(ii) Transactions with related parties

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

	Year	Fees/interest received from related parties ($000)	Amounts owed by related parties ($000)	Amounts owed to related parties ($000)	Investment securities held with related parties ($000)
Ultimate Parent					
New Zealand Crown	2020	2,627	–	–	–
	2019	2,627	–	–	–
Crown-related parties					
State-owned enterprises	2020	690	–	452	61,193
	2019	677	–	–	48,799
Group's unconsolidated entities					
Investment funds*	2020	4,707			
	2019	4,266	–	–	–
Funeral Trust Cash Fund	2020	–	–	23,535	–
	2019	–	–	25,250	–

*Excluding Funeral Trust Cash Fund.

Terms and conditions of transactions with related parties

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

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

(iii) Key management personnel

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

Key management personnel compensation comprises:

	2020 ($000)	2019 ($000)
Short-term employee benefits	2,622	2,490
Post-employment benefits	141	–
	2,763	**2,490**

19. Commitments and contingencies

(i) Capital commitments

	2020 ($000)	2019 ($000)
Purchase of property, plant and equipment	532	60
Purchase of intangible IT assets	–	243
	532	**303**

(ii) Non-cancellable operating leases

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. See note 21 for further information.

	2020 ($000)	2019 ($000)
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	5	3,680
Later than 1 year but not later than 5 years	10	3,325
Later than 5 years	–	319
	15	**7,324**

(iii) Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 (2019: nil).

20. Revenue from contracts with customers

(i) Disaggregated revenue information

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

	2020 ($000)	2019 ($000)
Retail revenue from Crown	2,627	2,627
Retail fee revenue	40,503	40,383
Retail	**43,130**	**43,010**
Corporate Trustee Services	13,662	12,334
Total revenue from contracts with customers	**56,792**	**55,344**

(ii) Contract balances

	2020 ($000)	2019 ($000)
Contract assets	9,088	9,583
Contract liabilities	294	312

Contract assets are initially recognised for revenue earned from services performed where receipt of consideration is conditional on successful completion of performance obligations.

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

Contract liabilities include prepaid income and prepaid estate administration.

Notes to the consolidated financial statements

for the year ended 30 June 2020

21. Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

	2020 ($000)	1 July 2019 ($000)
Right-of-use assets		
Office buildings	12,788	15,108
Motor vehicles	284	568
	13,072	**15,676**
Lease liabilities		
Current	2,314	2,651
Non-current	10,999	13,025
	13,313	**15,676**

There were no additions to the right-of-use assets during the year.

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2020 ($000)	2019 ($000)
Depreciation		
Office buildings	2,332	–
Motor vehicles	284	–
	2,616	**–**
Interest on lease liabilities	256	–
Expense relating to short-term leases (included in operating lease costs)	430	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating lease costs)	17	–

The total cash outflow for leases in 2020 was $3,026,000.

22. Comparison of budget to actual

Assets and liabilities

Financial assets have increased against budget mainly due to the increase in investment securities. This increase in investment securities was mainly due to additional receipts from clients. Correspondingly, liabilities to clients have also increased against budget.

Revenue

Net revenue was $5.5 million lower than budget due to lower than projected retail fees and investment revenue particularly in the final quarter reflecting the impact of the COVID-19 lockdown on Retail productivity resulting from the transition to remote working, reduction in new customer leads and delays to the processing of probate applications through the courts. This was partially offset by a strong performance in Corporate Trustee Services despite the volatility in financial markets.

Expenses

Overall expenses were lower by $5.6 million when compared to budget mainly due to lower Retail costs from staff headcount and reductions in travel, consultancy and discretionary marketing since the COVID-19 outbreak. Spend on strategic projects and restructure costs were also significantly reduced during the year.

Cash flows

Net inflows from investing activities was $21 million below budget, and net outflows from financing activities excluding leases was $26 million below budget. This is mainly due to Fee Protect and cash on call funds withdrawals occurring at lower than expected volumes.

23. Implications of COVID-19

During the year, the Group navigated the challenges and uncertainty resulting from the COVID-19 pandemic while balancing its objectives of people, customers and community and long-term financial stability. Financially, the Group is well positioned to withstand the projected economic downturn and has sufficient liquid cash reserves to continue operations and to meet its ongoing obligations.

While the risks and financial impacts the Group faces as a result of the COVID-19 pandemic are constantly evolving, the Group continues to evaluate the key risk areas and employ mitigants wherever possible.

(i) Customer outcomes

Public Trust is an essential service provider, and as such, the Group continues to provide products and services to its customers at all COVID-19 alert levels. Public Trust has enacted protocols to ensure the safety and wellbeing of its people and customers, who can be at higher risk of severe illness from COVID-19.

To make the Group's services more accessible, the launch of the online services was fast-tracked, providing customers with the ability to complete wills, enduring powers of attorney and statements of wishes from the safety and comfort of their own home.

(ii) Workforce

Regular communications to staff were provided by management about the evolving health situation to ensure they were informed about relevant processes and protocols. To assist with the health and wellbeing of the workforce whilst working from home, the Group implemented a range of initiatives including leader-led stop for safety meetings, resilience modules, regular online stretching and mobility sessions, virtual team activities and wellbeing surveys.

(iii) Financial performance and liquidity

COVID-19 will continue to affect revenue and profit into the financial year ending 30 June 2021 and potentially beyond. The Group continues to monitor the impact and provides the Board and the Treasury with regular updates on its financial forecasts.

The most significant impact of the crisis to the Group's financial performance for the year ended 30 June 2020 was lower Retail revenue during Alert Level 3 and 4 due to reduced productivity. Corporate Trustee Services and Investments revenue was not significantly impacted as financial markets sharply rebounded from their March 2020 lows, and many Common Fund fixed income investments were not yet reinvested at lower rates following the 75 basis point cut to the official cash rate (OCR) in March 2020.

Further periods at Alert Level 3 and 4 may again impact Retail revenue. Anticipated future impacts to financial performance are declining revenue from interest-bearing securities due to lower OCR and reduced Fee Protect revenue due to border restrictions preventing the entry of new international students.

The Group has substantial liquid assets to meet foreseeable operational cash flow needs. The Group's consolidated statement of financial position has limited exposure to credit, liquidity and revaluation risks. The Group holds over $300 million of liabilities to clients that are substantially held on call, but since the Group is the decision maker on the fiduciary customer deposits, the risk of a sudden substantial withdrawal of deposits is considered low. The Group also manages its credit risk, which mainly arises from investments in securities and deposits, by setting policy limits on the amount of risk it is willing to accept including minimum credit ratings and exposure limits to counterparties and credit rating categories.

(iv) Going concern

The Group has considered the consequences of the COVID-19 pandemic and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

(v) Impairment of assets

The Group has considered the impacts of the COVID-19 pandemic on assessment reviews performed on impairment of assets and has determined that no impairment resulting from COVID-19 exists as at balance date. The Group continues to generate positive operating cash flows, and despite some fluctuations to forecasts brought about by the pandemic that affect calculations of the value in use, there is still significant headroom to support their carrying amounts.

24. Events after the reporting period

At 30 June 2020, financial markets were still affected by the ongoing COVID-19 pandemic. Although this may present actual events materially different from those existing as at reporting date, the nature of the Group's investment securities and other assets indicate the valuation of the Group's assets are not expected to be materially impacted.

At midday on Wednesday 12 August, New Zealand's COVID-19 alert levels changed, with Auckland moving to Alert Level 3 and the rest of the country moving to Alert Level 2. These alert levels have remained in place for at least 2 weeks with Auckland moving to level 2.5 from 11:59pm on Sunday 30 August.

The Group has continued to provide products and services to its customers at these increased alert levels. Communications to staff have increased to ensure they remain informed and have the support needed to assist with their health and wellbeing.

This change in alert levels has resulted in a decline in Retail productivity for Auckland offices. However, overall Retail revenue for the subsequent period under these alert levels is projected to remain within budgeted levels. The Group will continue to monitor the impact of any further changes and will provide regular updates to the Board and the Treasury as the situation develops.

25. Other statutory information

Employee remuneration

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

	2020 Number of employees	2019 Number of employees
$100,000 to $109,999	23	25
$110,000 to $119,999	12	13
$120,000 to $129,999	16	12
$130,000 to $139,999	9	8
$140,000 to $149,999	4	6
$150,000 to $159,999	3	8
$160,000 to $169,999	5	2
$180,000 to $189,999	2	3
$190,000 to $199,999	4	1
$200,000 to $209,999	2	1
$210,000 to $219,999	1	2
$220,000 to $229,999	1	1
$230,000 to $239,999	2	–
$250,000 to $259,999	1	–
$280,000 to $289,999	–	1
$290,000 to $299,999	–	2
$330,000 to $339,999	–	1
$350,000 to $359,999	1	–
$370,000 to $379,999	1	–
$390,000 to $399,999	–	1
$520,000 to $529,999	1	1

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

Employment cessation payments

During the year, 122 permanent and fixed-term employees received collectively $1,967,114 relating to the cessation of their employment with Public Trust (2019: 101 employees received collectively $855,918).

Insurance and indemnities

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Board member remuneration

	Board 2020 ($000)	Subcommittee 2020 ($000)	Board 2019 ($000)	Subcommittee 2019 ($000)
Ian Fitzgerald	56	–	56	–
John Duncan	33	5	28	5
Graham Naylor	28	5	28	4
Kirsty Campbell	28	2	6	1
Vicki Sykes	28	2	6	1
Fiona Oliver (term ended 31 October 2019)	12	2	35	5
Meleane Burgess (appointed 1 February 2020)	12	1	–	–
Kevin Murphy (appointed 1 February 2020)	11	2	–	–
Bevan Killick (term ended 31 October 2019)	10	1	28	2

Independent auditor's report

Building a better working world

TO THE READERS OF PUBLIC TRUST'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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

Opinion

We have audited:

- the consolidated financial statements of the Group on pages 37 to 70, that comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 32 to 33

In our opinion:

- the consolidated financial statements of the Group on pages 37 to 70:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information on pages 32 to 33:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2020 including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Emphasis of Matter: Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Group as set out in notes 12 and 22–24 to the consolidated financial statements.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the consolidated financial statements and performance information* section of our report.

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

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to the audit, we have carried out audits of collective investment schemes managed by Public Trust and engagements in the area of market-based salary benchmark information, which are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. Other than the audit and these additional engagements and dealings, we have no relationship with or interests in the Group.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 76, but does not include the consolidated financial statements and the performance information, and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

Building a better working world

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand
25 September 2020

Registered office

Public Trust Corporate Office

Level 10, 34 Shortland Street,
CBD, Auckland 1010
PO Box 1598, Auckland 1140

0800 371 471
info@publictrust.co.nz
publictrust.co.nz

Copyright notice

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

Public Trust

0800 371 471
info@publictrust.co.nz
publictrust.co.nz