publictrust.co.nz

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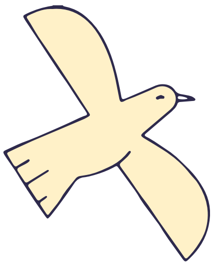
Annual Report

2021/22

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 2022 and has been prepared to meet the requirements of:

- Section 150 of the Crown Entities Act 2004
- Public Trust's 2021/24 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 2021 to 30 June 2022.

Ian Fitzgerald
Chair
Public Trust Board

Kirsty Campbell
Chair
Public Trust Audit and Finance Committee

16 September 2022

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Continuity of our services remains paramount in a challenging year

As the pandemic moves through its third year in 2022, I am proud that Public Trust has continued to deliver our essential services to customers in a difficult and complex environment.

I would like to thank all our people (and their whānau who support them) for their dedication, commitment and hard work. They have continued to step up and adapt to meet the challenges of the year while maintaining their focus on helping and protecting New Zealanders.

Over the past year, Covid-19 lockdowns, the emergence of the Omicron variant and high levels of illness in our frontline teams have had a significant impact on our financial performance, resulting in a net loss of $3.2 million for the financial year.

However, our underlying financial strength, as well as our nearly 150-year legacy, in which we faced similar challenges such as the 1918 Spanish flu pandemic, have given us the confidence to continue to invest in our transformation strategy and begin to build a more effective and efficient Public Trust for the future.

Our strategic aspiration to be compelling, relevant and accessible to all New Zealanders underpins our drive to deliver value to our customers and shareholder. We will realise this value through ongoing strategic investment in technology, processes and tools to help our people do their best work.

While we continue to operate in a volatile environment, we are focused on returning to profitability in FY23 through a combination of revenue growth, cost savings and the delivery of planned business initiatives.

Putting our people and customers at the heart of what we do

As Public Trust approaches its 150th year, the Board and management are acutely aware of our ongoing haepapa kaitiakitanga (stewardship obligation) of the organisation.

People have always been at the heart of our purpose, right from our inception in 1873 when Julius Vogel petitioned government to create Public Trust after witnessing the exploitation of vulnerable New Zealanders and their estates.

We were established as a government-owned and managed public trustee service – the first of its kind in the world. The idea took off and was subsequently replicated in the UK and throughout the Commonwealth.

Our duty to advocate for New Zealanders extended beyond estates – we were among the first government department to hire women and fight for the recognition of mental illness.

It's this advocacy that Public Trust, a self-funding Crown entity with our independence guaranteed under the Public Trust Act 2001, continues to do so well, putting customers and our own people at the heart of everything we do.

Pleasingly, over the past financial year we were able to help over 12,000 Kiwis write their will or enduring power of attorney (EPA).

Through the administration of estates and trusts, Public Trust continues to be an important conduit for money to funnel back into our communities with over $12 million distributed through the charitable trusts we administer and over $583 million of estate funds distributed to beneficiaries.

We have recently developed a new partnership with Blind Low Vision NZ. This partnership was designed to enable greater access to wills for a vulnerable segment of society and has helped us establish a blueprint for other such collaborations in the future that will benefit more New Zealanders.

Public Trust continues to play an important role in the New Zealand community and as we head towards 2023 when we will mark 150 years of advocating for New Zealanders, we can reflect with pride on the organisation Public Trust is today and look with optimism towards the organisation we aspire to be.

Finally, I want to extend a heartfelt thank you to CEO Glenys Talivai for her exceptional leadership and to the Executive Team for their ongoing commitment to our organisation and our customers.

Ngā mihi

Ian Fitzgerald
Chair

Looking forward to the Public Trust of the future with Glenys Talivai, Chief Executive

Kia ora koutou katoa

Over the course of our lives, there are many uncomfortable conversations we all need to have with our whānau, including those about the tricky subjects of death, money and the future.

Public Trust exists to deliver high-quality, trusted and people-centric estate planning and trustee services to New Zealanders, enabling them to lean in to these difficult conversations so that they can put the necessary plans in place to build and protect their legacies.

These difficult conversations are now more critical than ever. We have an ageing population, and intergenerational wealth is increasing on the back of strong growth in the property market and increasing KiwiSaver balances. Yet more than 50% of adult New Zealanders still do not have a will in place, and that percentage is even higher in Māori, Pacific and migrant communities.

Looking back, moving forward

The past 12 months have been challenging for all, and perhaps the most difficult part for Public Trust has been facing our FY22 financial loss despite the huge effort made by our people.

However, we have made significant inroads into continuing to improve how we deliver our services to customers while weathering the turbulence of the external environment, and the next 12 months promise to be a time of transformative change for Public Trust.

Our Retail team has been a great example of embracing change. Despite the challenges presented by Covid-19, the team has redoubled their efforts to reconnect with our existing customers to ensure that their will, EPA or trust continues to meet their needs.

This proactive contact with customers, along with continuous improvements we have made to our proposition, has been well received, with a noticeable uplift on our NPS.

In the 2 years since our online services launched, not only have we seen phenomenal growth in digital sales (nearly 80% of will and EPA sales are now made online versus in centre), we've increased the traffic from our website to the platform by 43% and made numerous other updates to optimise our customers' journey.

Our digital success is helping us pave the way for new, innovative ways of delivering our products and services so that they are compelling, relevant and accessible for everyday New Zealanders.

Our Corporate Trustee Services team has also been proud to support more Kiwi investors through new client mandates, and for investors in the KiwiSaver schemes that we supervise, we have processed 96% of hardship withdrawal applications within 2 days, which is testament to our ongoing commitment to helping people at a time when they need it most.

Across other parts of our business, our teams have continued to overcome challenges and maximise opportunities to deliver good people, customer or financial outcomes, led by our strong cohort of leaders at all levels of the organisation.

Continuing to focus on leadership is an important part of our culture and strategic work. We will continue to invest in leader capability over the next 12 months, with bespoke learning for each level of leaders that allows us to develop the skills needed to deliver on our strategy while also making decisions that will accelerate our return to financial profitability.

Despite the ongoing uncertainty and change in our operating environment, these green shoots of growth that are already emerging are proof of the transformative change under way within our organisation. This change is driven by a resilient and adaptable culture in which our people have the courage to make a difference and, importantly, thrive in order to do their best for our customers and communities.

“Our digital success is helping us pave the way for new, innovative ways of delivering our products and services so that they are compelling, relevant and accessible for everyday New Zealanders.”

We are on the cusp of our 150-year anniversary, and in 2023, we will be taking time to reflect on our legacy of advocacy for all New Zealanders.

We will also be telling the story of who we aspire to be as we build the Public Trust of the future.

Our story in the immediate future will be of the transformation that will help us unlock greater value for the organisation, which will in turn set us up to continue to empower all New Zealanders to build and protect their legacies for the next 150 years.

I look forward to celebrating our 150-year anniversary with you in 2023. Until then, he konā mai.

Ngā mihi

Glenys Talivai
Chief Executive

Our Board

The Board of Public Trust is committed to maintaining high standards of corporate governance, ethical behaviour and accountability. The Board regularly reviews and assesses the organisation’s governance structures and processes to ensure they are consistent with both New Zealand and international best practice.

Our Board is made up of seven members – plus the recent appointment of Future Director Siosaia Mataele (read more on page 18) – with significant and wide-ranging governance and business experience across specialist areas, including law, commerce, economics, human resources and finance.

This team has responsibility for the affairs and activities of Public Trust, with a focus on governance of the business and value growth. The Chief Executive is charged with the operational management of Public Trust and provides the principal link between the Board and management, acting within authorities delegated by the Board.

From left to right:

01. Meleane Burgess
Member Audit and Finance Committee
Member Risk Assurance Committee (until December 2021)
Deputy Chair Risk Assurance Committee (from December 2021)

02. Kirsty Campbell
Deputy Chair Audit and Finance Committee (until December 2021)
Chair Audit and Finance Committee (from December 2021)
Member Risk Assurance Committee

03. Kevin Murphy
Chair Risk Assurance Committee
Member People, Culture and Change Committee

04. John Duncan
Board Deputy Chair
Chair People, Culture and Change Committee
Member Risk Assurance Committee

05. Ian Fitzgerald
Board Chair
Ex-officio Member of Audit and Finance, Risk Assurance, and People, Culture and Change Committees

06. Graham Naylor
Chair Audit and Finance Committee (until December 2021)
Deputy Chair Audit and Finance Committee (from December 2021)
Member Risk Assurance Committee

07. Vicki Sykes
Deputy Chair People, Culture and Change Committee
Member Risk Assurance Committee

Governance

Public Trust is a Crown entity that is guaranteed independence in respect to its fiduciary functions 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 Code of Conduct and is provided with reports that detail any significant employee breaches of the policy. This document 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. The Board also complies with the Code of Conduct for Crown Entity Board Members issued by the Public Service Commission.

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 it to deliver market-leading Board services, a Board performance assessment is facilitated annually. 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-us/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/financial-reports-and-statements.

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 Public Service 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 Public Service 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 receives and reviews quarterly reporting on preventable, strategic and external risks as well as compliance, regulations and key internal policies for controlling risk. 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 Susan Jones of EY to carry these out for a term of 3 years ending on or before 30 June 2024.

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 provided market-based remuneration benchmarking information to Public Trust. Accordingly, the Board is satisfied of the auditor's objectivity and independence. The Office of the Auditor-General also limits how much non-audit work can be performed by Public Trust's external auditors, which Public Trust complies with.

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 Minister of Finance and Minister for the Public Service. 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 and Chief Executive meet with the Minister and attend 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 Board Chair, Chief Executive and Chief Financial Officer meet with Treasury officials each quarter.

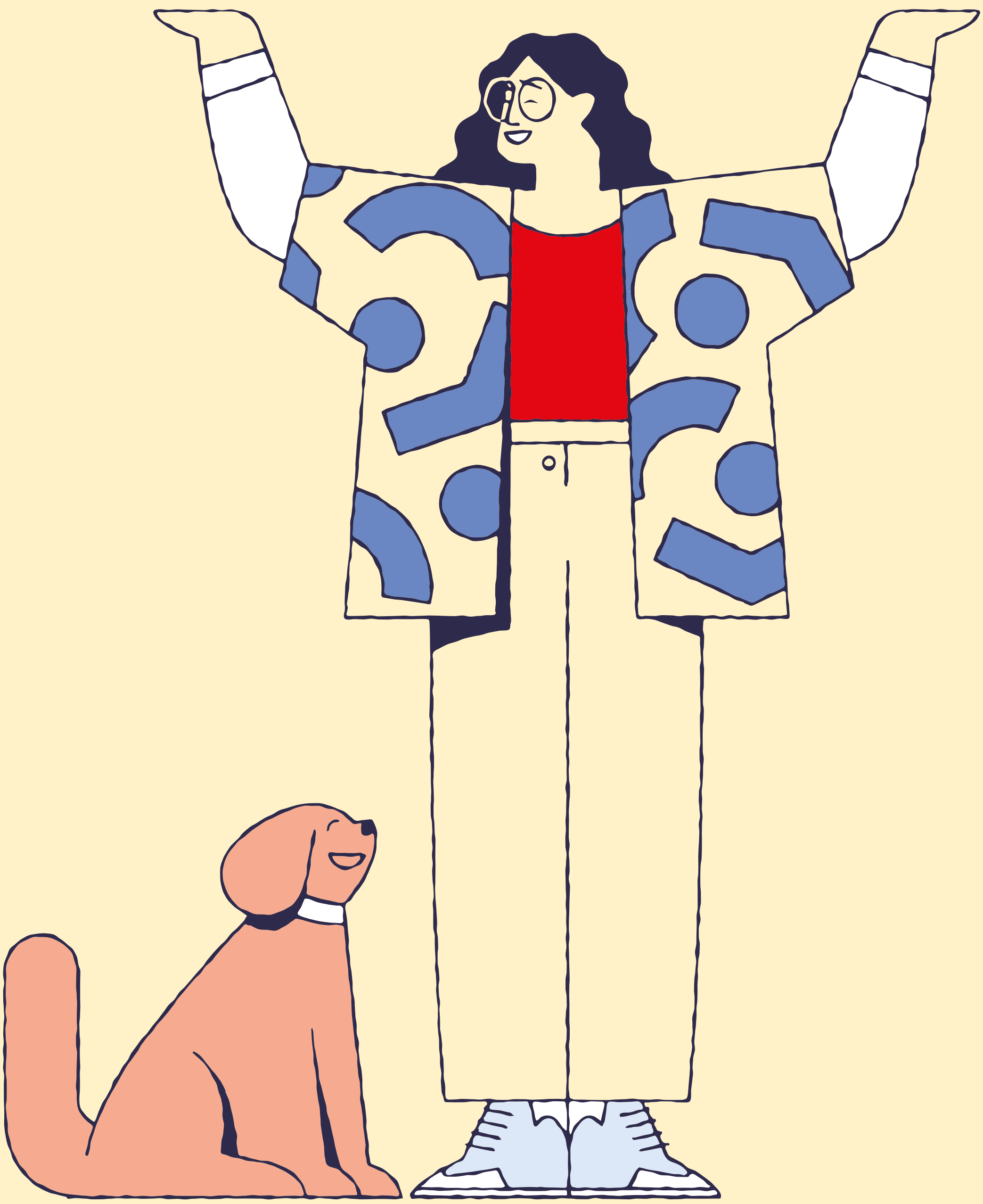
We are responsible for delivering positive outcomes to a wide range of stakeholders. Our Code of Conduct guides how we interact with our customers, employees, responsible Ministers, partners and the communities we serve.

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.



Advocacy is in our DNA

Public Trust's legacy of advocating for New Zealanders stretches back nearly 150 years.

Julius Vogel established Public Trust in 1873 after witnessing the exploitation of vulnerable New Zealanders' estates.

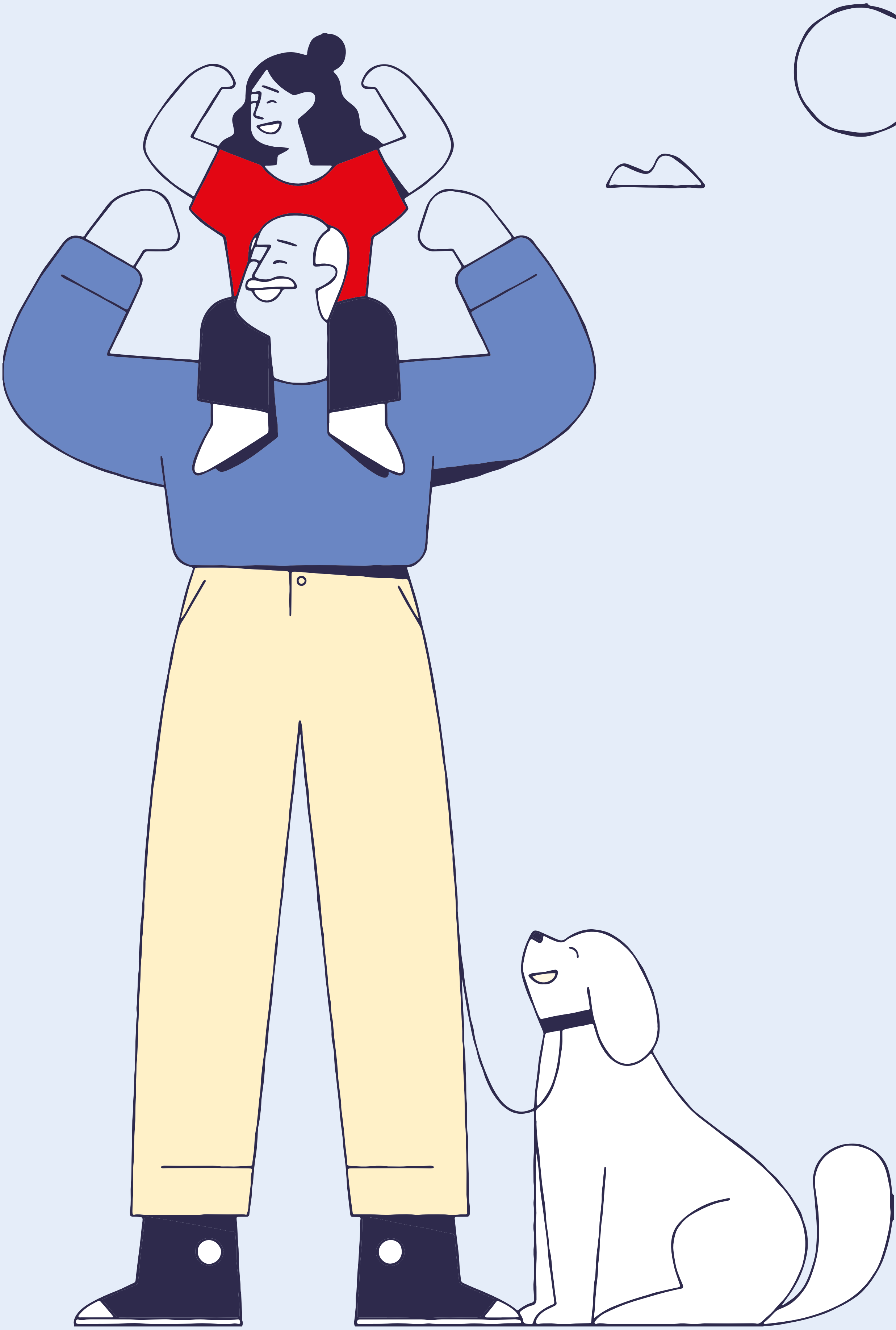
He petitioned government to create Public Trust, a government-owned and managed public trustee service that was the first of its kind in the world. The idea took off and has been replicated in the UK and throughout the Commonwealth.

Today, we are New Zealand's largest provider of estate planning and management services and a self-funding autonomous Crown entity with independence in respect to the way we administer our estates guaranteed under the Public Trust Act 2001.

We employ over 400 people across our network of customer centres and corporate offices. At some point in life, most New Zealanders will require one of our offerings, and we want to ensure we are there for them when they need us most.

We continue to advocate for all New Zealanders through the delivery of products and services that are compelling, relevant and accessible to all Kiwis.

While our principal objective as defined in our Act is to operate as an effective business, we also have clear obligations to care for the New Zealand community as well as care for our people.



We empower New Zealanders to build and protect their legacies

Through our national network of customer centres, contact centre and website, we deliver day-to-day estate planning and trustee services to everyday New Zealanders. We also provide a number of other services that draw on our expertise, including management of charitable trusts, investment services and the protection of student fees.

Our specialised Corporate Trustee Services team supervises a number of New Zealand financial services businesses to help ensure consumer and investor trust in the financial system is maintained.

Estate planning and management

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

— A will – a legal document that sets out your wishes regarding the care of your children or pets and your funeral arrangements as well as how you want to distribute your assets or special items after your death

— An enduring power of attorney – a legal document appointing an attorney to step in to manage your financial and property affairs or your personal care if you can't

— A trust – a legal arrangement to protect the assets and future assets of your whānau.

Estate administration

We act as executor for estates. This critical service helps whānau at a very difficult time and ensures that the wishes of the will maker are carried out so that their legacy can continue.

Executor Assist advisory service

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

Personal Assist

We offer Personal Assist – a tailored personal management service where we help customers manage their financial and property matters, including paying bills, managing bank accounts, buying or selling assets, arranging caregiving or home repairs and applying for pensions.

Services under the Protection of Personal and Property Rights Act

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

Services funded by the Ministry of Justice

Public Trust also receives funding from the Ministry of Justice. These funds are used to provide protective fiduciary services to New Zealanders who would not otherwise be able to access them due to affordability or low levels of liquid assets. These services include Personal Assist, estate management, personal property management and private property manager audits.

Trustee of last resort

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

Charities

A charitable trust holds and protects assets for charitable purposes so people can leave a lasting legacy by providing ongoing support after they've gone.

We are one of New Zealand's largest charitable trust administrators and advisers. We help over 400 charities and work to make sure a benefactor's intentions are carried out for the life of their charitable trust. We take care of registration, reporting, gifting, legal, accounting and taxation, making sure assets are invested to provide lasting benefits.

We manage many different asset types, including New Zealand's largest training farm, Smedley Station.

Services to tertiary education

We safeguard student fees on behalf of over 200 private training establishments through our Fee Protect service.

This service protects students from losses outside of their control (for example, due to closure or insolvency of a course provider), creating confidence in New Zealand as an education destination as student funds are protected until they have received their education.

Investment services for fiduciary customers

We provide investment management services to our fiduciary customers ensuring they can access effective and appropriate advice. Our products aim to provide sustainable, risk-adjusted investment returns and appropriate income streams for our fiduciary customers and charitable trusts, designed to help customers meet their current and future needs.

We invest funds on behalf of our fiduciary customers, across Retail (through estate distributions) and Fee Protect. These funds are held in our Common Fund (around $280 million as at 30 June 2022), with individual customer funds ranging from very small to very large investment amounts. Deposits held in our Common Fund are guaranteed by the New Zealand Government – a notable point of difference.

In addition, we have around $830 million of funds under management as at 30 June 2022 in our Public Trust Investment Services. These funds comprise assets we manage on behalf of clients, the majority of whom are charities, and are managed within a well-defined investment policy framework.

Corporate Trustee Services

Public Trust has a specialised corporate trustee team that supervises a number of New Zealand businesses to help ensure consumer and investor trust in the financial system is maintained. We are licensed by the FMA under the Financial Markets Supervisors Act 2011 to oversee and provide guidance to our clients, ensuring that they meet the standards expected of them and that investors' interests are protected.

Our specialist services include:

— supervision of regulated investment schemes and trusteeship of unregulated schemes such as wholesale schemes

— supervision of KiwiSaver schemes, including four of the six default providers

— under our custodial services, we hold listed and unlisted securities in safekeeping and are responsible for all associated cash and security transactions along with all reporting and tax obligations on our clients' assets

— statutory supervision of retirement villages, which involves monitoring compliance with obligations, including the financial position of villages and the security of residents' interests

— structured finance transactions covering debt issues and securitisations.

Building legacies and shaping futures

The Public Trust Board welcomes Future Director Siosaia Mataele

Legacy isn't just about what you leave behind after you're gone. It's what you create while you're still living – a living legacy. We are all building a legacy, every day. We pass legacies on from our ancestors, adding to them on the way. A legacy is also what we leave behind – from treasured mementoes passed down the generations to everything we've worked to create in our lifetimes left to enrich the future.

Empowering all New Zealanders to build and protect their legacies is Public Trust's purpose – and also that of our newest Board member Siosaia (Saia) Mataele.

In April 2022, Saia was appointed to the Public Trust Board for an 18-month term under the Institute of Directors' Future Directors programme. For him, the opportunity to be part of the governance of an organisation committed to protecting the legacies of New Zealanders was one he simply could not pass up.

As a Future Director, Saia participates fully in all Public Trust Board activities (although he does not have voting rights). The Future Directors programme is designed to build emerging talent in the governance sector while equally bringing tremendous benefits to the organisations and boards that host the Future Director roles. Sarah Deans of the Institute of Directors says that the diversity of thought, experience and skill that that the programme brings is not only invaluable but essential for all boards.

For Saia and his community, the notion of leaving a legacy for the generations to come is at the heart of everything, bringing purpose and meaning to everyday mahi. Through his own work, Saia is building a legacy for his family, Pacific and Māori people and communities in Aotearoa.

A young Saia left his hometown of Vava'u in the Kingdom of Tonga to settle in South Auckland, Aotearoa, with his family in 2003, yet he has remained firmly connected to his roots. Passion for his community has motivated his involvement in projects centred around advancing the interests of Pacific people and Māori, including Navigators of Success, a social enterprise, and Makatu'u, a community group focused on empowering and enabling Tongans.

Saia is future-focused, devoted to social and economic advancement and empowering Pacific people and Māori through digital equity.

His view is that communities, particularly ethnic minorities, cannot be left behind when it comes to digital upskilling. With skills come new opportunities, and with new opportunities come increased representation and, ultimately, more seats at the table.

In addition to advising numerous tech start-ups on everything from design to launch, he also co-founded People for People, a social enterprise driving digital equity, and is the co-founder of Moana Trust Incorporated. The latter sees Saia driving community-based tech initiatives for Pacific youth focused on igniting interests in tech through gaming, robotics, design thinking and digital upskilling.

He also holds several other governance roles that he balances on top of his day-to-day work as Digital Transformation Senior Manager at PwC.

Saia says he is excited to work alongside the Public Trust Board and Executive Team to build Pacific representation within the organisation and with its customers. He is also looking forward to leveraging his experience and knowledge in the tech sector to seek out efficiencies through technology-based solutions.

The Board is equally delighted and privileged to have someone of Saia's calibre join it, as Public Trust Board Chair Ian Fitzgerald noted on his appointment in April.

As Public Trust embarks on a journey of transformation and marks its 150-year anniversary in 2023, Saia is bound to leave his own lasting and impactful legacy with the organisation.

"He has passion, talent and a genuine and authentic commitment to achieving equitable outcomes for all. It is no surprise they found an excellent candidate in Saia."
Sarah Deans, Institute of Directors

> **"With new opportunities come increased representation and, ultimately, more seats at the table."**

Our work with New Zealand's most vulnerable

Public Trust is here to care for those who need us most

The subtle art of blending business acumen with empathy is what draws most people involved in working with clients under the PPPR Act to the job. Elizabeth Woods, one of Public Trust's PPPR product specialists, is no different.

As a highly empathetic person, Elizabeth finds it deeply satisfying and rewarding to work with clients under PPPR care, many of whom would otherwise be vulnerable to financial abuse or neglect.

Those placed under the care of property managers such as Public Trust lack the capacity to manage their own affairs as well as friends or family members who are able to take on this kind of guardian role, which would usually be carried out under an EPA.

While PPPR clients are often elderly – and the proportion of older New Zealanders requiring these services is expected to grow given our ageing population – clients can be of any age, their need arising through mental or physical disability, substance abuse or injury leading to incapacity.

Appointments for Public Trust to act as property manager are often made by the court, with referrals sometimes coming from Te Whatu Ora – Health New Zealand, external solicitors or other external managers who are no longer able to complete the role.

As property manager, Public Trust plays the role of protector. It is crucial that we remain impartial and objective, always putting our clients' best interests at the heart of all decisions.

While it sounds straightforward, this brings its own complexities, says Elizabeth, as sometimes an individual's mental health can prevent them from recognising when decisions are being made in their own best interests.

These decisions cover the full day-to-day management of a person's finances, from selling property, paying bills and buying food to ensuring money isn't spent on unnecessary or harmful items.

While a PPPR client sometimes only has limited resources available, the Public Trust team ensures they are managing an individual's expectations and providing the best possible life for them given their financial position as well as their physical and mental wellbeing.

The work of a property manager can also help clients avoid financial catastrophe – sadly, this sometimes comes in the form of adult children and other family members taking money and other assets from their parents or loved ones.

Our role as property manager isn't able to be discharged without a court order and a named organisation or individual to take over the role. The knowledge that Public Trust is there to protect and care for them in perpetuity is something that Elizabeth believes provides real comfort to many clients, particularly those who have previously suffered from abuse from those closest to them.

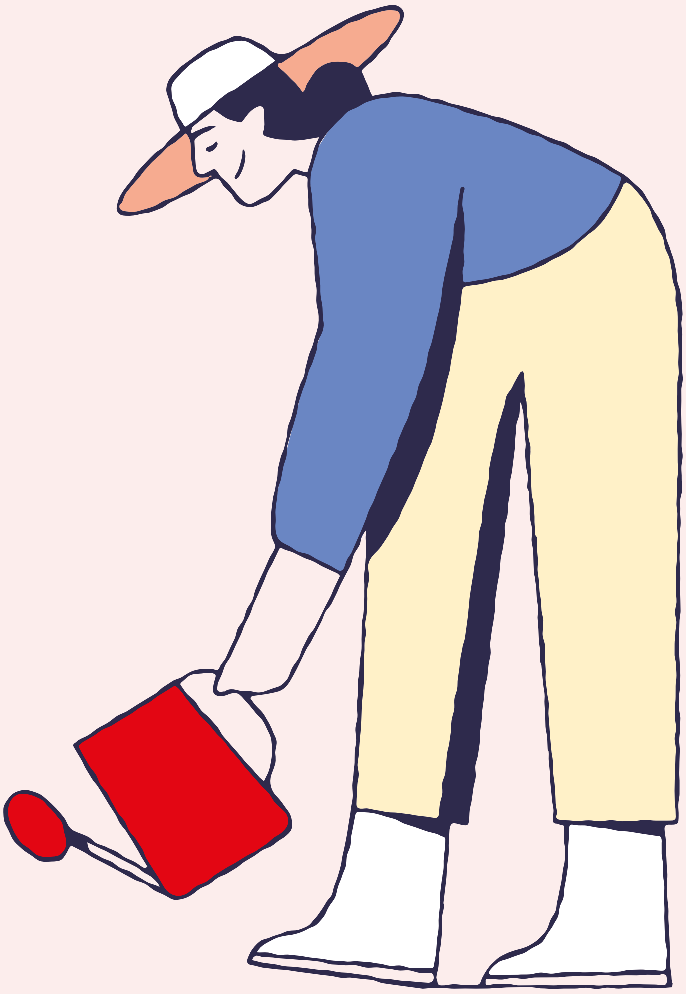
Public Trust's work with those PPPR clients who have very limited assets is largely funded through a contract with the Ministry of Justice. This funding model is crucial as many clients don't have the money to pay for services themselves, and it also ensures the independence of Public Trust's fiduciary role, allowing us to always put the client's best interests first.

Numbers of PPPR clients have grown significantly in the last 10 years, with a rise in court-ordered appointments due to a mix of both increased need as well as awareness of the services provided by property managers.

Another trend that Elizabeth has noticed recently is a spike in referrals due to family members or friends taking advantage of the vulnerable people in their lives – something she partly attributes to the effects of the pandemic with families finding themselves in more precarious financial situations.

While these trends are unsettling, they also speak to the importance of the role property managers such as Public Trust play. When we are able to step in and protect individuals who have previously been abused or taken advantage of, they are given the opportunity to get their lives back on track and even thrive.

> **"As property manager, Public Trust plays the role of protector. It is crucial that we remain impartial and objective."**



Our people

Our Executive Team members have extensive international and local experience covering a range of disciplines.

Under the leadership of Chief Executive Glenys Talivai, our highly skilled Executive Team provide strategic and operational leadership across the organisation.

This year, we said thank you and farewell to Andrew Hughes and Sarah Pepworth. We are grateful for their contribution and leadership over the past few years and wish them every success in the future.

We also welcomed Lyndsey Francis, General Manager Digital and Marketing, to our Executive Team in June. Lyndsey brings strong capability in marketing strategy and data.

From left to right:

01. Vanessa Dudley
General Manager Retail

02. Andrew Hughes
General Manager
Corporate Trustee Services

03. Andrew Bhimy
General Manager
People and Culture

04. David Callanan
Chief Legal and Risk Officer

05. Glenys Talivai
Chief Executive

06. Chris East
Chief Information Officer

07. Sarah Pepworth
General Manager Marketing
and Customer Experience

08. Peter Aish
Chief Financial Officer

Our workforce

87%	10%	2%	1%
Permanent full-time	Permanent part-time	Temporary full-time	Temporary part-time

Average length of service 5.49 years

By gender

All our people

32% Male

0.2% Other

67% Female

Leaders

46% Male

54% Female

By age

17%	24%	22%	27%	10%
18–29	30–39	40–49	50–59	60+

By ethnicity

Our workplace is more diverse than ever before, with our people coming from over at least 17 different ethnic backgrounds.
* Our people who noted their ethnicity as 'Other' included Dutch, Greek, Russian, Cook Island Māori, Fijian and Irish.

Ethnicity	%
New Zealand European/ Pākehā	38%
English	4%
Indian	4%
NZ Māori	3%
Chinese	3%
Asian (Other)	3%
Samoan	1%
Pacific Islander (Other)	1%
Filipino	1%
Sri Lankan	1%
Australian	1%
Other*	8%
Not disclosed	33%

426
people

22
customer centres

A workplace of choice and care

Whiria te tāngata. Weave the people together.
Māori whakataukī (proverb)

Our leading customer service is made possible by the depth of expertise within our team.

We have more than 400 team members operating from 22 customer centres around the country.

We are proud that we have created a great place to work. This has been through significant investment over the last 3 years in building a positive and respectful environment for our people.

Culture and engagement

Ensuring world-class delivery of our products and services relies on putting our people at the heart of everything we do. This means 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.

Our ongoing commitment to an annual engagement survey and smaller pulse surveys provide our people with regular opportunities to give their input and share insights. These are ultimately key drivers of positive culture change across the organisation.

Recognising and rewarding our people continues to be prioritised through a dedicated programme focused on celebrating the contributions of our team.

Developing our leaders

We want to continue attracting the very best people to our organisation and provide compelling reasons for them to stay with Public Trust for a rewarding career and future.

Investing in our people to develop their capability and strengthen leadership 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.

Our Learning Academy programme allows new starters in our Retail business to quickly build the skills required to carry out their roles with ease. This technical training has been enhanced through our Qualified to Serve programme, which links the development of technical skills to role and pay progression for our trustees. Other learning support is provided via the Study Assist programme, which includes the funding of external continuing professional development and a robust health and wellbeing curriculum.

Leadership development remains a priority for Public Trust, and this year saw the launch of a new Leadership Essentials programme for our mid-tier leaders. Leaders have also been nurtured and supported via our biannual leader events and through the provision of external coaching support.

Flexible working

As we continue to navigate our way through Covid-19, flexible working is now a core part of how we work. We recognise that empowering our people to make choices about how they design their workday and balance their lifestyles outside of their roles is essential for their own wellbeing as well as organisational productivity.

Our commitment to seamless connection between individual team members and our respective teams around the country, whether they are working in offices or remotely, remains a priority. An investment in Microsoft Office 365, along with the enablement of Teams calling technology, has significantly changed and enhanced the way our people remain connected to each other and our customers.

Care for our people

We are committed to taking care of our people's physical, emotional and mental wellbeing through our comprehensive health, safety and wellbeing plan.

Health, safety and wellbeing are embedded across the organisation, and Tiaki, our wellbeing programme, is available for everyone to participate in. Our culture of safety and wellbeing is continually monitored and assessed, and our commitment in this area consistently rates strongly in our engagement survey.

With the events around Covid-19 and the ongoing uncertainty and illness this has created, supporting our people to maintain and enhance their wellbeing has remained a priority. In addition to offering access to free EAP services, last year, we made a significant investment to provide access to qualified counsellors and psychologists for employees who had more-complex support needs. This service has made a meaningful difference to the lives of employees who have been struggling during a difficult period.

We have also run comprehensive compulsory mental wellbeing awareness training for all of our leaders, while also making a version of the training available to all of our people.

Keeping our people safe

There have been no lost-time or medical treatment injuries in our retail centres and corporate offices over the last 12 months. This is a credit to our people, who deal with a range of risks in their day-to-day work and strive to keep themselves and others safe as they complete their daily activities.

However, our farms have seen a small increase in lost-time and medical treatment injuries over the last 12 months. The Health and Safety team have worked closely with our Farms team to review each incident and implement a range of controls that have since made our farms even safer places to work.

In May 2022, an independent audit of Public Trust's health and safety practices was undertaken by Deloitte using the Safe365 platform. This platform is a research-backed benchmarked safety auditing tool. We scored 72% for our Retail and Corporate areas and 71% for Farms. When compared to Safe365 industry averages, Public Trust Farms is now 21% above average in the agriculture, forestry, and fishing industry (50%) and Public Trust Corporate is now 14% above average for the public administration and safety industry (58%). This outcome reflects a commitment to our people and the hard work Public Trust has made in our health and safety practices over the past 2 years.

Our people are at the heart of everything we do and achieve for our customers. We recognise that nurturing our existing talent and providing opportunities to grow within the organisation are essential to attracting and retaining the very best people. Our recruitment approach is focused on ensuring we hire the right people for the role and, most importantly, for our culture. Over the last year, we have continued our focus on understanding what successful hires look like for Public Trust and have trained our hiring managers in effective recruitment practices.

Elevating our culture of care

Naming our culture a 'culture of care' recognises the unique role our people play in straddling the line between deep knowledge and expertise and empathy.

It also acknowledges that care for our people, care for our customers and care for sustainable financial outcomes is baked into Public Trust's DNA – and has been for nearly 150 years.

This is partly because the Public Trust Act 2001 states that we must equally balance three principal objectives – a positive impact in the New Zealand community, being a good employer and delivering financial performance that allows us to be self-sustaining.

Now 3 years after we first started talking about it and working to make it even better, our culture of care is well understood and deeply embedded as a reason why people want to come and work for us as well as why they want to stay.

Right through the pandemic, care for our people and customers has been our primary consideration.

Covid-19 acted as the ultimate test of whether we really meant it – our people were able to experience that, yes, we did and do mean it. We are a genuinely people-centric organisation.

It has also acted as a hothouse for our culture work, giving us opportunities for vulnerability and connection that have strengthened our bonds and our drive to better serve our customers and communities.

Evidence for a stronger culture has come through our employee engagement survey where we have seen an uptick of 8% in our overall score between 2019 and 2021.

We know that we have the right culture in place that will propel us towards the Public Trust of the future. Our new purpose and values were forged in the adversity of the pandemic, and the more we use them, the stronger and more powerful they become in helping us achieve our strategic aspiration.

We make the tricky seem simple.
We deal with some pretty complex topics that can be challenging to talk about – like death, money and the future. By simplifying the complex, we help New Zealanders navigate these tricky subjects. Over the last year, our Retail team set out to make it easier and faster for our customers to create a will or EPA – in the process, we discovered how to simplify the way we work internally too. As a result, our people are supported to work smarter.

People are at the heart of everything we do.
We have a proud history of standing up for what we believe is fair and championing all New Zealanders. It's something we've been doing for generations.

Our customers and communities trust us to listen, care and understand what's needed in order to find the best solutions for them. By keeping our people and customers firmly at the heart of the way we operate, we've been able to navigate the last year of the pandemic with support and empathy.

We are better when we work together.
We are a collective of talented individuals who always look out for each other. This deep trust gives our people the confidence to bring their unique skills and diverse perspectives to work each day, to try new things, learn from mistakes and celebrate success together. As a result, the last year has proven we work much better cross-functionally, with new opportunities to work across teams always emerging.

We have the courage to make a difference.
We are striving to do more for every New Zealander. We have an incredible team we can be confident in, with the curiosity and motivation to courageously uncover new and innovative ways of doing business. The psychological safety of our people is fundamental to our culture of care, giving our people the courage to speak up, listen and, most importantly, make a difference for our customers and themselves.

Delivering on our strategy

We use a range of measures to assess our progress in delivering our strategic goals. Our three strategic goals are critical to ensuring we are able to deliver on our strategic aspiration:

— Serving our customers and communities.

— Being a good employer.

— Delivering sustainable financial outcomes.

Our progress against each strategic goal: 2021/22

1. Serving our customers and communities

Measure	Outcome
Number of new estates administered each year	1,470 administered versus the full-year target of 1,487
New business sales for wills and EPAs	11,439 sales achieved, behind the target of 12,596
New business sales for wills and EPAs completed online compared to total sales	73% achieved, slightly below the target of 75%
Net promoter score	NPS of 37.1 achieved versus the target of 40.0
Increase in number of website visits each year.	421,398 website visits, significantly above the target of 315,000

2. Being a good employer	
Measure	**Outcome**
Total recordable injury frequency rate	1.87 versus the forecast of 2.40

3. Delivering sustainable financial outcomes	
Measure	**Outcome**
Annual revenue growth	-1.33% versus the target of 4.46%

Statement of performance

for the year ended 30 June 2022

Public Trust has one reportable class of outputs under section 149E(1)(a) of the Crown Entities Act 2004, which arises from its services agreement with the Crown (acting through the Minister of Justice). Under this services agreement, the Crown purchases a range of non-commercial fiduciary services from Public Trust to ensure that affordability does not prevent New Zealanders in need from obtaining key estate and personal management services.

Providing these services helps advance the Crown's objectives of supporting New Zealanders to improve their wellbeing and protecting the most vulnerable members of our society.

The outputs arising from this contract are intended to enable access to trustee services for New Zealanders who are either vulnerable or unable to obtain key estate and personal management services within their own means.

How performance will be assessed

The services agreement specifies the scope of services Public Trust provides. Performance under the agreement is monitored through regular reporting to the Ministry of Justice.

Public Trust assesses its performance under the agreement by measuring the number of clients served and total hours spent providing services.

Details of Public Trust's actual and forecast results are shown on page 31.

Measuring the services we provide

			2021/22 actual		2021/22 forecast	
Service	**Measure**	**Client asset pool**	**No. of clients**	**Hours**	**No. of clients**	**Hours**
Providing services to incapacitated persons under the Protection of Personal and Property Rights Act 1988 or under Public Trust agencies.	Number of clients served and hours to manage and advise under the Protection of Personal and Property Rights Act 1988.	$0–20,000	475	8,035	595	10,190
		$20,000–50,000	65	1,008	70	890
Administration of estates and trusts.	Number of clients served and hours administering.[1]	$0–20,000	574	1,130	560	1,600
		$20,000–50,000	–	–	115	610
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.	Number of clients served and hours taken to examine statements.	$0–20,000	941	3,050	785	2,530
		$20,000+	1,652	6,927	1,150	4,620

[1] Administration of estates and trusts for clients with total assets valued between $20,000 and $50,000 was outside the scope of the services agreement with the Crown commencing from the 2020/21 financial year.

Revenue and expenses

Expected	Actual
Expected revenue 2021/22: $3.6 million (GST exclusive)	Revenue: $3.3 million (GST exclusive)
Proposed expenses 2021/22: $3.6 million (GST exclusive)	Expenses: $3.3 million (GST exclusive)

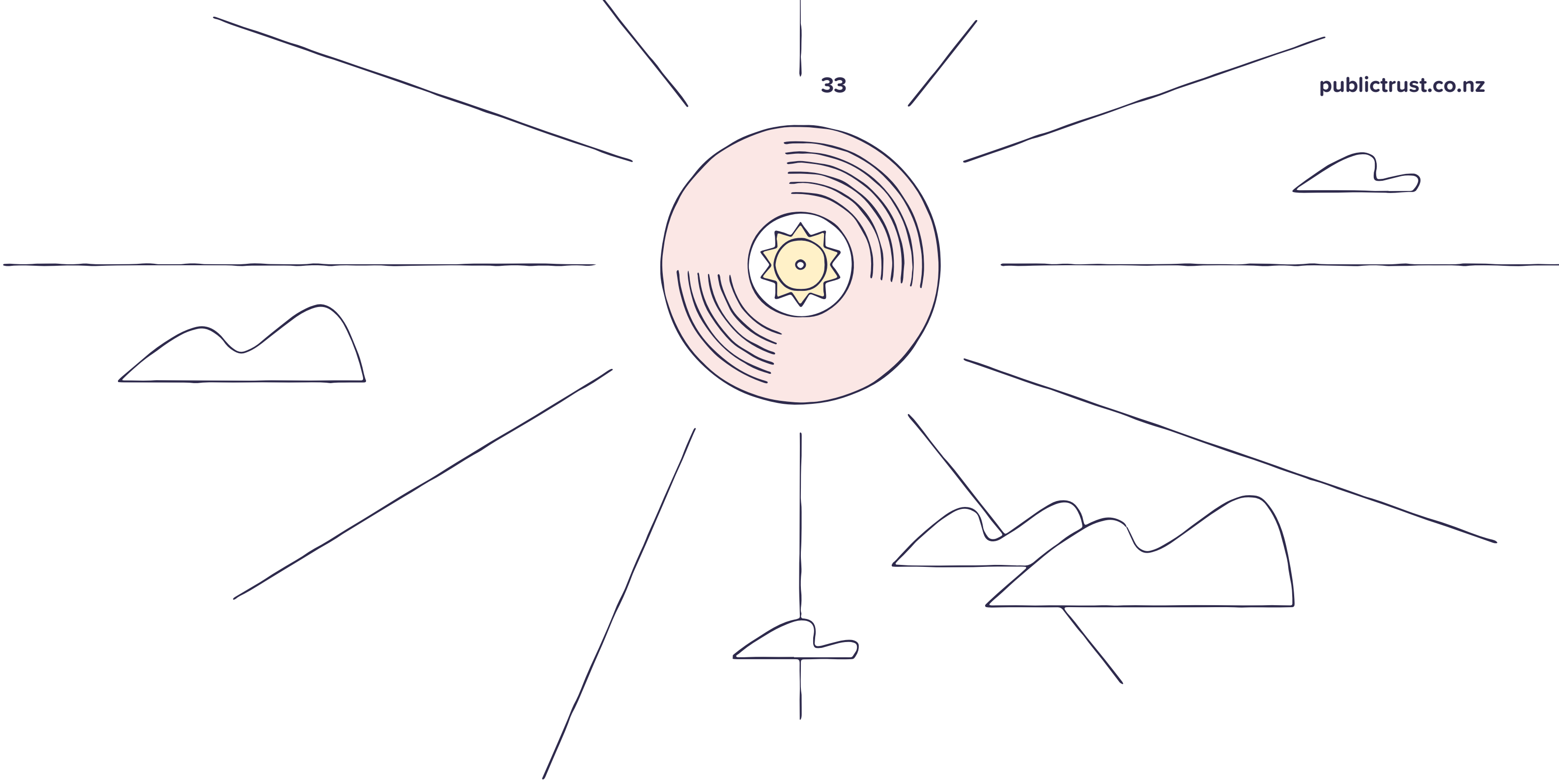
Common Fund reporting

Public Trust's Common Fund contains fiduciary customers' trust account money and is guaranteed by the New Zealand Government. 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 value at risk (VaR) and the liquidity test.

Value at risk (VaR)

Measure	2021/22 forecast	Achievement	
Common Fund VaR, excluding term deposits, at 95% confidence level over any one day.	VaR will not exceed 0.4%.	Common Fund VaR as at each month end:	
		31 July 2021	0.12%
		31 August 2021	0.12%
		30 September 2021	0.11%
		31 October 2021	0.12%
		30 November 2021	0.19%
		31 December 2021	0.20%
		31 January 2022	0.17%
		28 February 2022	0.21%
		31 March 2022	0.22%
		30 April 2022	0.21%
		31 May 2022	0.21%
		30 June 2022	0.23%

The Common Fund VaR measure of 0.4% at 95% confidence is the same as stating that Public Trust is 95% confident that losses in the Common Fund will not exceed 0.4% of the fund value over any one day.



Liquidity test

Measure	2021/22 forecast	Achievement
Percentage of Common Fund assets (by dollar value) that can be liquidated within 100 days.	At least 33% (by dollar value) of Common Fund assets can be liquidated within 100 days.	Common Fund liquidity ratio at each month end: 31 July 2021 53.16% 31 August 2021 47.56% 30 September 2021 55.80% 31 October 2021 56.04% 30 November 2021 44.43% 31 December 2021 36.87% 31 January 2022 43.32% 28 February 2022 44.31% 31 March 2022 42.12% 30 April 2022 41.58% 31 May 2022 41.33% 30 June 2022 43.84%

Consolidated financial statements

Funds under management

as at 30 June 2022

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.

	2022 $ million	2021 $ million
Fiduciary assets		
Funds under management		
Common Fund	284	297
Public Trust Investment Service	832	866
Funds under supervision	168,154	148,163

Statement of responsibility

for the year ended 30 June 2022

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 2022 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Ian Fitzgerald
Chair
Public Trust Board

16 September 2022

Kirsty Campbell
Chair
Public Trust Audit and Finance Committee

16 September 2022

Consolidated statement of financial position

as at 30 June 2022

	Notes	Actual 2022 $000	Unaudited budget 2022 $000	Actual 2021 $000
Assets				
Cash and cash equivalents		18,387	20,251	22,255
Investment securities	8	295,138	288,549	305,314
Trade and other receivables	9	4,093	3,647	4,026
Advances to clients	10	3,101	3,450	2,907
Total financial assets		**320,719**	**315,897**	**334,502**
Contract assets	9, 20	10,192	10,427	9,782
Other assets		4,315	2,938	3,394
Right-of-use assets	21	22,501	16,203	18,856
Intangible assets	12	21,131	18,755	23,892
Deferred tax asset	11	10,163	10,163	10,163
Total assets		**389,021**	**374,383**	**400,589**
Liabilities				
Liabilities to clients		284,022	271,247	297,046
Trade payables		2,949	2,177	2,686
Other liabilities		660	593	708
Employee benefits	13	5,122	5,434	4,698
Provisions	14	2,005	2,242	2,075
Contract liabilities	20	215	261	234
Lease liabilities	21	22,837	16,823	18,727
Total liabilities		**317,810**	**298,777**	**326,174**
Equity				
Contributed equity		90,174	90,174	90,174
Accumulated losses		(18,963)	(14,568)	(15,759)
Total equity	15	**71,211**	**75,606**	**74,415**
Total liabilities and equity		**389,021**	**374,383**	**400,589**

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 16 September 2022.

Ian Fitzgerald
Chair
Public Trust Board

16 September 2022

Kirsty Campbell
Chair
Public Trust Audit and Finance Committee

16 September 2022

Consolidated statement of changes in equity

for the year ended 30 June 2022

	Contributed equity $000	Accumulated losses $000	Total equity
Actual as at 1 July 2020	90,174	(17,417)	72,757
Profit for the year	–	1,658	1,658
Total comprehensive income for the year	**–**	**1,658**	**1,658**
Actual as at 30 June 2021	**90,174**	**(15,759)**	**74,415**
Loss for the year	–	(3,204)	(3,204)
Total comprehensive loss for the year	**–**	**(3,204)**	**(3,204)**
Actual as at 30 June 2022	**90,174**	**(18,963)**	**71,211**
Unaudited budget as at 30 June 2021	**90,174**	**(16,325)**	**73,849**
Profit for the year	–	1,757	1,757
Total comprehensive income for the year	**–**	**1,757**	**1,757**
Unaudited budget as at 30 June 2022	**90,174**	**(14,568)**	**75,606**

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 2022

	Notes	Actual 2022 $000	Unaudited budget 2022 $000	Actual 2021 $000
Revenue				
Interest from interest-bearing securities		4,086	2,038	3,938
Interest from advances		177	213	197
Less: Interest expense		(176)	(89)	(396)
		4,087	**2,162**	**3,739**
Revenue from contracts with customers	20	59,563	65,161	60,770
Other revenue		1	–	3
Net revenue		**63,651**	**67,323**	**64,512**
Expenses				
Employee benefits		(43,444)	(43,202)	(40,621)
Amortisation of intangible assets	12	(4,253)	(4,987)	(4,202)
Depreciation		(3,250)	(3,090)	(3,822)
Operating lease costs		(701)	(811)	(391)
Other expenses		(14,755)	(13,243)	(13,511)
Total operating expenses		**(66,403)**	**(65,333)**	**(62,547)**
Interest on lease liabilities	21	(368)	(233)	(262)
Net losses on financial instruments		(84)	–	(45)
(Loss) / profit before tax for the year		**(3,204)**	**1,757**	**1,658**
Income tax benefit	11	–	–	–
(Loss) / profit after tax for the year		**(3,204)**	**1,757**	**1,658**
Total comprehensive (loss) / income for the year		**(3,204)**	**1,757**	**1,658**

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 2022

	Notes	Actual 2022 $000	Unaudited budget 2022 $000	Actual 2021 $000
Cash flows from operating activities				
Receipts from customers		58,462	64,367	58,525
Interest received from investments		3,131	2,251	6,218
Payments to suppliers and employees		(58,916)	(57,017)	(53,333)
Interest paid		(187)	(89)	(396)
Net cash flows generated from operating activities	22	**2,490**	**9,512**	**11,014**
Cash flows from investing activities				
Net flows from investments		11,009	31,789	19,033
Purchase of other assets		(728)	(250)	(232)
Purchase of intangible assets		(1,252)	(286)	(1,870)
Net cash flows generated from investing activities		**9,029**	**31,253**	**16,931**
Cash flows from financing activities				
Net payments to clients	23	(13,013)	(37,644)	(24,504)
Principal lease payments	23	(2,374)	(2,371)	(3,116)
Net cash flows used in financing activities		**(15,387)**	**(40,015)**	**(27,620)**
Net (decrease) / increase in cash and cash equivalents		**(3,868)**	**750**	**325**
Cash and cash equivalents at the beginning of the year		22,255	19,501	21,930
Cash and cash equivalents at the end of the year		**18,387**	**20,251**	**22,255**

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

Notes to the consolidated financial statements

for the year ended 30 June 2022

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), 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 a historical cost basis.

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 2021/22 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.

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 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 and interest-bearing securities
- trade and other 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 and other 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, trade and other receivables and advances to clients are carried at their amortised cost in accordance with the effective interest method, less any impairment.

Financial assets at amortised cost are regularly reviewed for impairment under either the simplified approach applicable to trade receivables and contract assets (excluding contract assets 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 reversal of impairment 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.

Financial liabilities at amortised cost

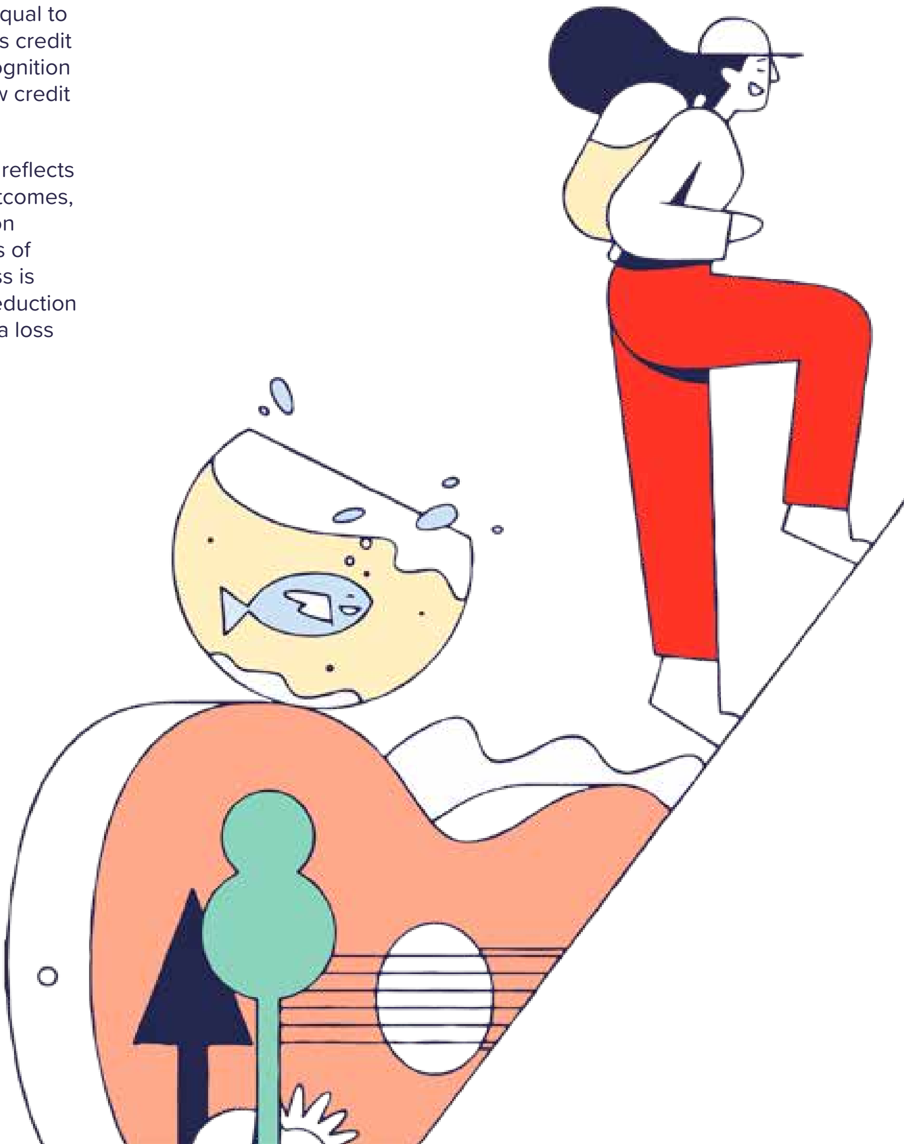
Financial liabilities in this category include:

— liabilities to clients

— trade and other payables

— lease liabilities.

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



Intangible assets

Goodwill

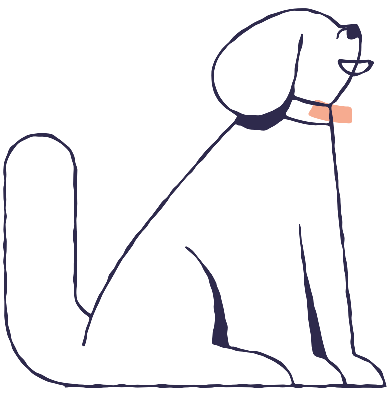
Goodwill arising from business combination is initially measured at cost, being the excess of the consideration transferred and the fair value net of identifiable assets acquired and liabilities assumed. Goodwill is subsequently carried at cost less any accumulated impairment losses.

Information technology (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 other financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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. Any impairment is recognised in profit or loss as a permanent reduction in the carrying value. Impairment losses recognised for goodwill are not subsequently reversed.

Goodwill has been allocated to the Corporate Trustee Services CGU 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.

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 the index or rate at the commencement date. 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 over time as the customer simultaneously receives and consumes the benefits of the services provided to them.

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.

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 from 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

There were no new standards or amendments effective 1 July 2021 that had an impact on the consolidated financial statements of the Group.

There were also no new accounting standards, amendments to accounting standards or interpretations issued but not yet effective that have been early adopted by the Group. These have been assessed by the Group and are not likely to have a material impact.

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.

Impairment of trade receivables and contract assets (note 9 and note 20)

Impairment analysis is performed regularly for trade receivables and contract assets (excluding contract assets 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.

Contracts with a significant financing component (note 9)

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

Judgement applies in determining the expected date of recovery and in applying appropriate discount rates to expected cash flows of the contract assets. The expected recovery date is based on actuarial models using statistical life expectancy data. Cash flows are discounted using the 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.

Recognition of deferred tax asset for carried-forward tax losses (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 impairment (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.

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.

Lease accounting (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.

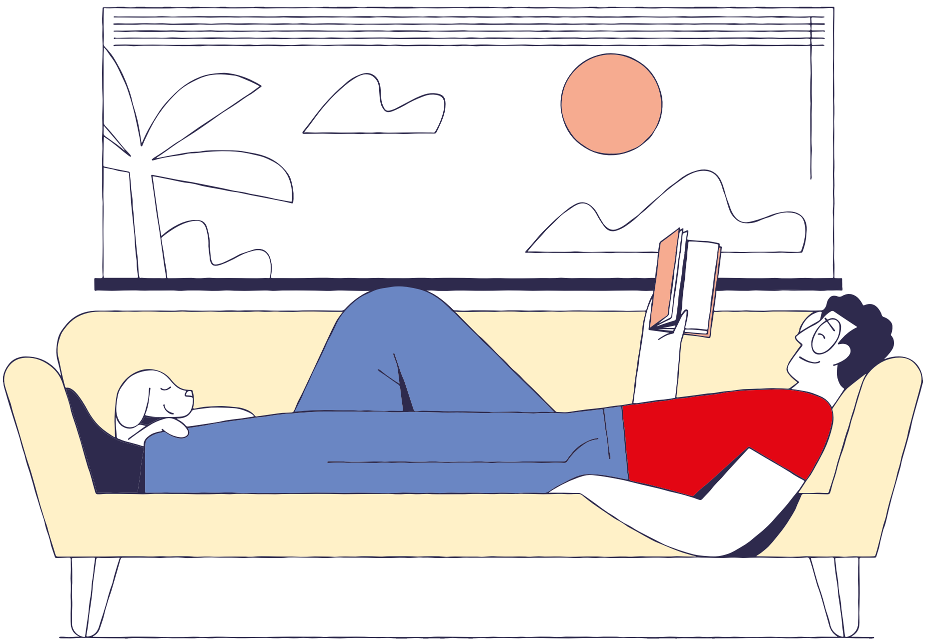
The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the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



8. Investment securities

	2022 $000	2021 $000
Financial assets at amortised cost		
Interest-bearing securities		
Banks	53,587	22,931
State-owned enterprises	3,990	14,006
Corporates	15,811	–
Mortgage-backed securities	153	279
Term deposits		
Banks	179,733	224,848
State-owned enterprises	41,864	43,250
Total investment securities	**295,138**	**305,314**
Current	243,859	292,026
Non-current	51,279	13,288
As at 30 June	**295,138**	**305,314**

Credit risk

The Group is exposed to credit risk through its investments in interest-bearing securities and deposits. 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. Concentration of counterparty credit risk is managed through counterparty exposure limits. These policy limits are 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.

	2022 $000	2021 $000
Long-term credit rating		
AAA	–	279
AA	13,545	–
A	37,734	13,010
	51,279	**13,289**
Short-term credit rating		
A1+	5,150	8,008
A1	248,011	301,276
A2	9,085	4,995
	262,246	**314,279**
Unrated – other financial assets*	7,194	6,934
Total financial assets	**320,719**	**334,502**

* Other financial assets comprise trade and other receivables and advances to clients.

Interest rate risk

Through its investments in interest-bearing financial instruments, the Group is also exposed to interest rate risk. Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The objective of the interest rate risk management policy is to mitigate adverse changes in future cash flows due to changes in the applicable rates. This is achieved by investing in assets with similar interest rate resetting terms to those of the financial liabilities and by applying a maximum mean term to maturity for the Common Fund of 185 days, resulting in interest rates received on financial assets generally aligning with prevailing market interest rates.

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 is also 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 $706,717 in 2022 (2021: $410,981). This is applied to the full range of interest-bearing securities, 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.

9. Trade and other receivables and contract assets

	2022 $000	2021 $000
Trade and other receivables		
Fees receivable	4,567	4,805
Other receivables	24	3
Total trade and other receivables, gross	**4,591**	**4,808**
Collective impairment allowance		
Opening balance	(782)	(974)
Charge for the year	(588)	(511)
Reversal of unused provision	872	703
Total collective impairment allowance	**(498)**	**(782)**
Total trade and other receivables, net	**4,093**	**4,026**
Contract assets		
Receivables of uncertain timing*	2,878	3,190
Work in progress**	7,314	6,592
Total contract assets	**10,192**	**9,782**
Total trade and other receivables, net and contract assets		
Current	11,407	8,095
Non-current	2,878	5,713
As at 30 June	**14,285**	**13,808**

* 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 trade and other 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 and other receivables and contract assets (excluding contract assets of uncertain timing) where there are indicators of low credit quality.

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

		Trade and other receivables					
			Past due but not impaired				
	Contract assets $000	Neither past due nor impaired $000	1–30 days $000	31–60 days $000	61–90 days $000	More than 90 days $000	Total $000
2022	10,192	934	1,184	437	156	1,382	**14,285**
2021	9,782	960	1,718	217	120	1,011	**13,808**

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 risks by setting limits for each customer based on their particular risk profile and through a periodic review of the amounts advanced to each client.

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 2022 is $124,580 (2021: $124,580).

11. Income tax

Tax benefit comprises:

	2022 $000	2021 $000
Origination and reversal of temporary differences	(572)	69
Derecognition of previously recognised tax losses	572	–
Recognition of previously unrecognised tax losses	–	(69)
Tax benefit	**–**	**–**

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 current financial forecasts show an immediate return to profit in the financial year ending 30 June 2023, with profitability continuing into future years.

Reconciliation of tax benefit and the accounting profit:

	2022 $000	2021 $000
(Loss) / profit before tax	(3,204)	1,658
Income tax at 28%	(897)	464
Non-deductible expenses for tax purposes	10	12
Tax expense on unused tax losses for which no deferred tax asset has been recognised	315	–
Previously unrecognised tax losses now recouped to reduce current tax expense	–	(407)
Origination and reversal of temporary differences	572	(69)
Tax benefit	**–**	**–**

The deferred tax asset comprises:

	2022 $000	2021 $000
Fees receivable	547	504
Property, plant and equipment and intangible assets	(3,330)	(3,841)
Employee benefits	1,006	961
Provisions	561	581
Contract liabilities	9	16
Tax losses	11,370	11,942
Deferred tax asset	**10,163**	**10,163**

The Group has unused tax losses of $10,137,569 (2021: $7,013,470).

12. Intangible assets

	2022 $000	2021 $000
Intangible IT assets		
Cost		
Opening balance	41,853	41,599
Additions	–	–
Transfers from intangible assets in development	2,768	341
Disposals	–	(87)
Closing balance	**44,621**	**41,853**
Accumulated amortisation and impairment		
Opening balance	(21,751)	(17,456)
Amortisation for the year	(4,253)	(4,202)
Impairment	–	(179)
Disposals	–	86
Closing balance	**(26,004)**	**(21,751)**
Net carrying value	**18,617**	**20,102**
Intangible assets in development		
Opening balance	1,285	198
Additions	1,492	1,428
Transfers to intangible IT assets	(2,768)	(341)
Closing balance	**9**	**1,285**
Goodwill arising on acquisition		
Opening and closing balance	2,505	2,505
Total carrying value of intangible assets	**21,131**	**23,892**

The Group carries the following individually material intangible IT assets as at 30 June 2022.

	Net carrying value $000	Remaining useful life Years
Enterprise core technology system	12,946	4.5
Digital platform	3,704	4.5

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 2022 indicates that the recoverable amount exceeds the carrying value of the CTS CGU. Key judgements and assumptions from the 2022 impairment test were as follows:

- 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.
- 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 12.9% 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

	2022 $000	2021 $000
Annual leave	2,235	2,062
Long-service leave	1,358	1,371
Salaries accrual	1,529	1,265
Total employee benefits	**5,122**	**4,698**
Current	3,926	3,469
Non-current	1,196	1,229
As at 30 June	**5,122**	**4,698**

The present value of long-service leave depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

The Group contributes towards KiwiSaver and the Government Superannuation Scheme. Contributions to these defined contribution plans were $1,133,000 in 2022 (2021: $1,064,000).

14. Provisions

	Remedial work and litigation 2022 $000	Make good 2022 $000	Onerous contracts 2022 $000	Restructuring 2022 $000	Total 2022 $000
Opening balance	805	921	190	159	2,075
Additional provisions made	323	191	119	658	1,291
Amounts used	(416)	(16)	(137)	(591)	(1,160)
Unused amounts reversed	(136)	(82)	–	–	(218)
Increase from passage of time	–	17	–	–	17
Closing balance	**576**	**1,031**	**172**	**226**	**2,005**

	2022 $000	2021 $000
Current	868	1,159
Non-current	1,137	916
As at 30 June	**2,005**	**2,075**

Remedial work and litigation

No insurance reimbursements expected upon the final resolution of such matters have been recognised within sundry receivables (2021: 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
2022						
Liabilities to clients	284,022	284,022	284,022	–	–	–
Trade payables	2,949	2,949	2,949	–	–	–
Lease liabilities	22,837	29,276	2,996	3,228	8,581	14,471
Other liabilities	660	660	660	–	–	–
	310,468	**316,907**	**290,627**	**3,228**	**8,581**	**14,471**
2021						
Liabilities to clients	297,046	297,046	297,046	–	–	–
Trade payables	2,686	2,686	2,686	–	–	–
Lease liabilities	18,727	22,017	2,482	2,388	6,376	10,771
Other liabilities	708	708	708	–	–	–
	319,167	**322,457**	**302,922**	**2,388**	**6,376**	**10,771**

17. Audit fees

	2022 $000	2021 $000
Audit of the financial statements	293	274
Audit fees for non-consolidated managed funds	64	59
Other fees paid to the auditor*	7	25

* Other fees paid to the auditor comprise the fees for provision of remuneration data (2021: anti-money laundering and countering financing of terrorism risk and assessment compliance).

18. Related-party transactions

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 that are non-trading and have no assets or liabilities.

— Nominee companies – subsidiaries that 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 (2021: five) funds in operation (excluding the Funeral Trust Cash Fund) with unit holders' funds of $805 million (2021: $848 million). The risk of investment losses from unit price declines lies with the funds' unit holders.

— Funeral Trust Cash 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). At balance date, there were unit holders' funds of $20 million (2021: $22 million).

— 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.

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	2022	3,314	299	–	–
	2021	3,508	304	–	–
Crown-related parties					
State-owned enterprises	2022	651		1	45,854
	2021	609	–	4	57,256
Group's unconsolidated entities					
Investment funds*	2022	5,294	–	–	–
	2021	5,071	–	–	–
Funeral Trust Cash Fund	2022	–	–	19,832	–
	2021	–	–	21,801	–

* 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.

Key management personnel

Key management personnel comprise the Chief Executive and permanent, seconded or contracted members of the Executive Team. Key management personnel have disclosed that they or their immediate relative or professional associate have had no dealings 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:

	2022 $000	2021 $000
Short-term employee benefits	3,315	3,105
Post-employment benefits	43	151
	3,358	**3,256**

19. Commitments and contingencies

Capital commitments

There was no significant capital expenditure contracted for at the end of the reporting period (2021: nil).

Contingent liabilities

The Group had no contingent liabilities at 30 June 2022 (2021: nil).

20. Revenue from contracts with customers

Disaggregated revenue information

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

	2022 $000	2021 $000
Retail revenue from Crown	3,314	3,508
Retail fee revenue	38,546	42,008
Retail	**41,860**	**45,516**
Corporate Trustee Services	17,703	15,254
Total revenue from contracts with customers	**59,563**	**60,770**

Contract balances

	2022 $000	2021 $000
Contract assets	10,192	9,782
Contract liabilities	215	234

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.

21. Leases

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

Amounts recognised in the consolidated statement of financial position

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and their respective movements during the period.

	Office buildings $000	Motor vehicles $000	Total $000
Right-of-use assets			
As at 1 July 2020	12,788	284	13,072
Additions	8,753	–	8,753
Modification in lease payments	36	(4)	32
Depreciation expense	(2,758)	(243)	(3,001)
As at 30 June 2021	**18,819**	**37**	**18,856**
Additions	3,994		3,994
Modification in lease payments	2,255	(14)	2,241
Depreciation expense	(2,567)	(23)	(2,590)
As at 30 June 2022	**22,501**	**–**	**22,501**

	2022 $000	2021 $000
Lease liabilities		
As at 1 July	18,727	13,313
Additions	6,116	8,268
Accretion of interest	368	262
Lease payments	(2,374)	(3,116)
As at 30 June	**22,837**	**18,727**
Current	2,451	2,148
Non-current	20,386	16,579
As at 30 June	**22,837**	**18,727**

Amounts recognised in the consolidated statement of comprehensive income

	2022 $000	2021 $000
Depreciation expense	2,590	3,001
Interest on lease liabilities	368	262
Expense relating to short-term leases (included in operating lease costs)	343	103
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating lease costs)	287	239

The total cash outflow for leases in 2022 was $3,004,000 (2021: $3,458,000).

22. Reconciliation of (loss) / profit before tax to net cash flow from operating activities

	Notes	2022 $000	2021 $000
(Loss) / profit before tax for the year		**(3,204)**	**1,658**
Adjustments to reconcile (loss) / profit before tax to net cash flows			
Amortisation	12	4,253	4,202
Depreciation		3,250	3,822
Movement in accrued interest income		(1,112)	2,082
Impairment of other assets and intangible assets		–	267
Interest on lease liabilities	21	368	262
Net losses on financial instruments		84	45
Movement in accrued interest expense		(10)	(1)
Other non-cash adjustments:			
Movement in impairment loss allowance		(284)	(192)
Movement in accrued purchases of other assets and intangible assets		(240)	444
		6,309	**10,931**
Working capital changes			
Decrease / (increase) in trade and other receivables		217	(751)
(Increase) in contract assets		(410)	(694)
(Increase) in other assets excluding property, plant and equipment		(853)	(18)
Increase in trade payables		263	517
Increase in employee benefits		424	92
(Decrease) in provisions		(189)	(776)
(Decrease) in contract liabilities		(19)	(60)
(Decrease) / increase in other liabilities		(48)	115
Net cash flows generated from operating activities		**2,490**	**11,014**

23. Changes in liabilities arising from financing activities

	Opening $000	Cash flows $000	Non-cash movements $000	Closing $000
2022				
Liabilities to clients	297,046	(13,013)	(11)	284,022
Lease liabilities	18,727	(2,374)	6,484	22,837
Total liabilities from financing activities	**315,773**	**(15,387)**	**6,473**	**306,859**
2021				
Liabilities to clients	321,549	(24,504)	1	297,046
Lease liabilities	13,313	(3,116)	8,530	18,727
Total liabilities from financing activities	**334,862**	**(27,620)**	**8,531**	**315,773**

24. Comparison of budget to actual

Assets and liabilities

Total assets excluding leases were higher than budget mainly due to the increase in investment securities. The increase in investment securities was mainly due to lower than expected payments to clients. Correspondingly, liabilities to clients have also increased against budget.

Revenue

Net revenue was $3.7 million lower than budget largely due to lower than projected Retail fee revenue, which has been adversely impacted by the challenging operating environment caused by Covid-19-related disruptions.

This was partially offset by a strong performance in Corporate Trustee Services despite the recent volatility in financial markets and increase in Investments revenue from higher interest margins earned on Common Fund deposits.

Expenses

Overall, expenses were $1.1 million higher than budget due to higher than budgeted spend on personnel, restructuring and professional services and due to differences in revenue and expense classifications between budget and the financial statements.

Cash flows

Net inflows from investing activities were $22.2 million below budget, while net outflows from financing activities excluding leases were $24.6 million below budget. The reduced net outflows from financing activities were driven by lower than expected net payments to clients, which in turn resulted in lower net inflows from investments as there was a reduced need to liquidate investments to make client payments.

25. Events after the reporting period

There are no events occurring after the reporting period that have a significant impact on the consolidated financial statements or that require disclosure.

26. Other statutory information

Employee remuneration

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

	2022 Number of employees	2021 Number of employees
$100,000 to $109,999	28	17
$110,000 to $119,999	20	19
$120,000 to $129,999	9	17
$130,000 to $139,999	21	16
$140,000 to $149,999	11	9
$150,000 to $159,999	1	6
$160,000 to $169,999	4	1
$170,000 to $179,999	3	6
$180,000 to $189,999	4	2
$190,000 to $199,999	4	5
$200,000 to $209,999	5	3
$210,000 to $219,999	2	1
$220,000 to $229,999	1	2
$230,000 to $239,999	0	1
$240,000 to $249,999	1	3
$260,000 to $269,999	0	1
$270,000 to $279,999	0	1
$290,000 to $299,999	0	1
$300,000 to $309,999	1	1
$310,000 to $319,999	1	0
$320,000 to $329,999	0	1
$330,000 to $339,999	1	0
$350,000 to $359,999	0	1
$370,000 to $379,999	1	0
$400,000 to $409,999	1	0
$410,000 to $419,999	1	0
$430,000 to $439,999	0	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.

Total remuneration for all employees, including key management personnel, consists of fixed remuneration only. Public Trust's policy is to pay a fixed remuneration, which includes base salary and benefits, with reference to the fixed pay market median, which takes into account external benchmarking to ensure competitiveness with comparable market peers.

Redundancy and other termination payments

During the year, 7 staff received redundancy and other termination payments, totalling $211,751 (2021: 8 staff, $284,416).

Insurance and indemnities

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

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

Board member remuneration

	Board 2022 $000	Subcommittee 2022 $000	Board 2021 $000	Subcommittee 2021 $000
Ian Fitzgerald	56	–	56	–
John Duncan	35	4	35	4
Kevin Murphy	28	5	28	5
Kirsty Campbell	28	3	28	1
Graham Naylor	28	2	28	4
Vicki Sykes	28	1	28	1
Meleane Burgess	28	1	28	1

The Group incurred $60,218 (2021: $67,538) on behalf of the Board members for expenses incurred while enacting their directorship role. Out of the total, $16,782 (2021: $26,612) relates to Board evaluation and Board member training and development costs.


WE ARE
BETTER
WHEN WE
WORK
TOGETHER

Independent auditor's report

to the readers of Public Trust's Group financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Public Trust and its subsidiaries (the Group). The Auditor-General has appointed me, Susan Jones, 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 36 to 65, that comprise the consolidated statement of financial position as at 30 June 2022, 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 28 to 33.

In our opinion:

- the consolidated financial statements of the Group on pages 36 to 65:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 28 to 33:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2022 including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - complies with generally accepted accounting practice in New Zealand.

Basis for opinion

We 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 provided remuneration benchmarking information and carried out audits of collective investment schemes managed by Public Trust which are compatible with those independence requirements. 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 66, 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 and the Financial Markets Conduct Act 2013.

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

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

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

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

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

We also:

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

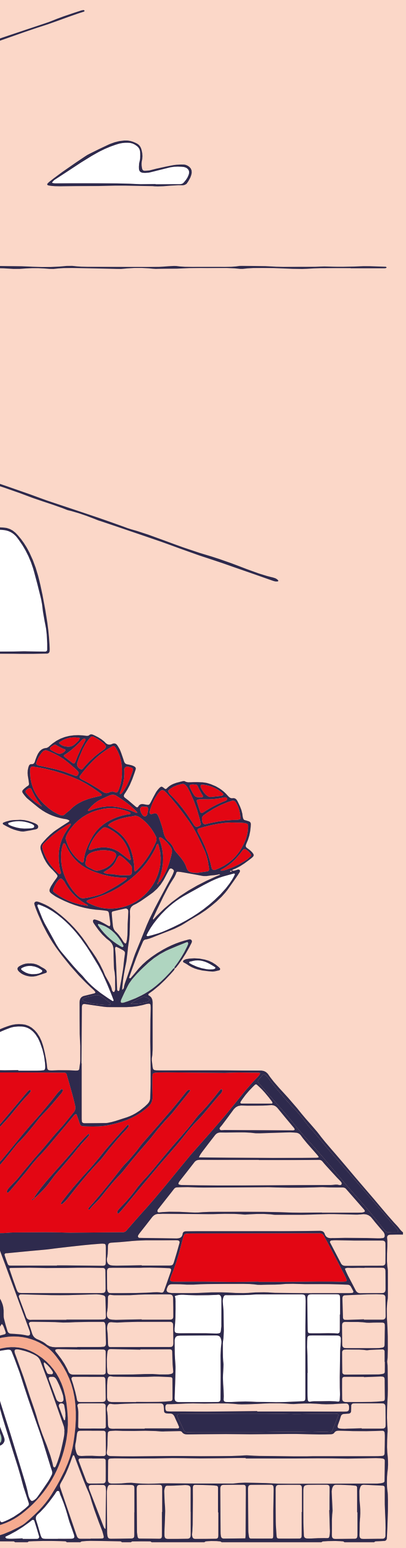
We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibilities arise from the Public Audit Act 2001.

Susan E Jones

Susan Jones
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

16 September 2022



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