Public Trust

Statement of Intent

For the financial years ending 30 June 2010 to 30 June 2012

June 2009

YOUR WORD IS LAW publicTRUST

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Chairman's Foreword

We present the 2009/10 Statement of Intent (SOI) for Public Trust.

Business Transformation

Public Trust recognises that a fundamental transformation is required to ensure the long term sustainability and viability of the organisation.

In response to the need for transformation Public Trust initiated a five year change programme in 2007 to become a customer centric organisation offering a significantly enhanced customer experience. The improved customer experience resulting from the change programme will provide the key to building stronger relationships with customers. The enhanced customer experience combined with a focus on operating efficiency will enable Public Trust to achieve a level of performance that meets shareholders' requirements.

Tangible benefits are now being realised from the change programme. Customer satisfaction levels are high and fee revenue from core trustee services is forecast to increase by 5% in 2008/09, a significant uplift from the performance of recent years, especially considering the economic climate. Further increases in fee revenues are planned from a continued focus on core trustee services.

In 2009/10 the change programme will be focused on delivering the following outcomes:

- Reducing risk in the Common Fund through changes to investment and lending policies and focusing on core trustee customers.
- Increasing revenue through better meeting the needs of customers.
- Productivity gains achieved by process improvements and investing in developing our people capability.
- Meeting the changing legislative requirements; Non Bank Deposit Taker Regime, Financial Adviser & Service Provider Acts and Anti Money Laundering Act.

The current financial performance has also driven urgency into creating and executing short term initiatives focused on containing costs and improving revenue.

Public Trust provides non commercial protective fiduciary services to the Ministry of Justice, including the provision of free Wills. Provision of these services is being reviewed to confirm the range and extent of non commercial services the Crown wishes to purchase.

Longer term Public Trust will continue the change programme by building organisational capability and developing a commercial culture that supports change.

Performance

Financial performance has been dominated by substantial losses on Common Fund investments. Extremely adverse conditions in property and investment markets have resulted in significant mortgage provisions and mark to market losses on interest bearing and mortgage backed securities, for a second financial year. The magnitude of these losses has resulted in a forecast of negative equity at 30 June 2009. Cabinet has approved a capital contribution of $30 million to be paid in the first quarter of 2009/10 to ensure that Public Trust can continue to provide independent and reliable trustee services, whilst the change programme is implemented to deliver sustainable financial performance. Customer funds held in the Common Fund retain the protection of the statutory Crown guarantee.

The investment losses have arisen from the revaluation of interest bearing and mortgage backed securities over the past two years, $49 million of which are unrealised. We expect most of the losses on interest bearing securities will reverse to profit by maturity date. However, reversal of the losses on mortgage backed securities is less certain and will depend on the future performance of the underlying assets.

The ongoing volatility in property and investment markets continues to create a higher than usual degree of uncertainty for forecast financial performance. Downside risks exist from further mortgage provisions and revaluation losses on mortgage backed securities, where there is no active market.

The Board and management are extremely concerned at the magnitude of the losses. We are taking all possible actions to ensure that impacts are minimised. A range of measures have been implemented including changes to investment and lending policies and practices, which will result in a significant reduction in the risk profile of the Common Fund, and further changes are being implemented.

The Board appreciates the continued support provided by Ministers in these difficult conditions.

Outlook

Despite our financial performance and the economic environment, we remain confident that the strategy Public Trust has adopted will provide enhanced value.

Public Trust is actively implementing the substantial transformational change required to become a customer centric organisation and achieve commercial sustainability. The change is affecting all parts of the organisation and whilst challenging, represents a significant opportunity to enhance Public Trust's long tradition of serving New Zealanders and to grow value for the Crown as owner.

The planned benefits from the change programme and reduced Common Fund risk profile provides a sound basis for sustainable financial performance in future years.

We look forward to ensuring New Zealanders continue to have the opportunity to build and protect their assets and interests, now and for generations ahead.

On behalf of the Board.

Donal Curtin	Robin Hill
Chair	**Deputy Chair**

30 June 2009

1 Profile of Public Trust

Purpose and statutory objectives

Public Trust's primary purpose is:

> *"To help all New Zealanders grow and protect the important things in their lives."*

In fulfilling the functions which support its purpose Public Trust is required, under the Public Trust Act 2001, to have the principal objective of operating as an effective business, and, to this end:

- Be as efficient as comparable businesses that are not owned by the Crown.
- Prudently manage its 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 it operates.

Vision

Public Trust's vision is to be the leader in the trustee services market.

Values

Public Trust's success depends on adherence to the following fundamental values:

- Understanding – through understanding and empathy we put our customers first.
- Dependable – we will always be there, doing what we say we will do.
- Proactive – we constantly look for new ideas and ways to help.
- United – we are one team supporting each other.
- Commercial – we act commercially with a heart.

What we do

Public Trust is New Zealand's largest and oldest trustee organisation, set up in 1873 with a unique mandate to protect the future of New Zealanders. Public Trust offers independent, professional advice and a wide range of legal and financial services to New Zealanders at different stages of their lives, and assists with carrying out their wishes after they have died.

In these capacities, Public Trust works with a range of charitable trusts, term estates and other customers, managing their funds and helping to improve their lives in many different ways. Public Trust also acts as an independent trustee for a number of other investment schemes, protecting the interests of investors.

Public Trust is best known in relation to the provision of Wills, and estate planning and administration services. The number of current Wills that are held by Public Trust is over 268,000 and Public Trust is involved in preparing over 25,000 Wills each year (both new Wills and revisions to existing Wills). These volumes mean Public Trust is the single largest provider of Wills in New Zealand.

Public Trust also looks after more estates than any other organisation in New Zealand – around 5,000 each year.

While many New Zealanders are familiar with the work of Public Trust in these areas, the span of services is much broader than just Wills and estates. Public Trust's personnel have been helping New Zealanders for over 135 years and now offer the following products and services:

- Family, education and funeral trusts. Public Trust manages over 4,000 family trusts.
- Charitable trusts. Public Trust manages over 400 charitable trusts that between them have a cumulative total of around $360 million in assets. The range of trusts is diverse and they generate funds for a wide range of purposes including science, medicine and agriculture and specialist community services such as services for disabled people.
- Corporate trustee services. Public Trust has approximately $23.9 billion of funds under supervision.
- Public Trust also administers approximately $3.7 billion in assets including around $1.4 billion in investment funds.
- Home loans and conveyancing. Total mortgage lending to Public Trust customers is around $304 million.
- Student fee protection. Over 340 private training establishments are signed up to Public Trust's "Fee Protect" service. "Fee Protect" safeguards the fees of more than 42,000 students totalling over $84 million.

In addition to the above, other products and services include:

- Administration, audit and advice services for incapacitated persons pursuant to the Protection of Personal and Property Rights (PPPR) Act 1988.
- Advice and research relating to enquiries on behalf of incapacitated persons on matters relating to the PPPR Act.
- Financial and retirement planning.
- Life insurance.
- Tax planning and advice.
- Advice and support for managing personal financial, investment and property matters ("Personal Assist").
- Enduring powers of attorney.

The services noted above are tailored to meet the requirements of three key market segments:

- The Personal segment (services which generally focus on the protection of assets and personal rights, and wealth transfer).

- The Business segment (services which focus on legal compliance, administration and secure trusteeship).

- The Corporate segment (services which tend to focus on legal advice and compliance, trustee consultancy and investments).

For the most part, the services described above are provided to customers on a commercial basis and Public Trust competes against a wide range of firms (e.g. trustee companies) and individuals (e.g. lawyers) who provide one or more of the services noted above.

Public Trust differs from other providers, however, in that it has certain public and social responsibilities including the provision of non commercial protective fiduciary services described above. The Crown provides funding for these non commercial services (the details of which are set out in the Statement of Forecast Service Performance).

The purpose of the non commercial protective fiduciary services is to ensure that people have access to professional trustee and administration services in situations where they might otherwise not be able to obtain appropriate services from the market. This includes situations in which individuals are not in a position to afford the price of services provided by the market, as well as situations where the personal circumstances of the individual (e.g. mental incapacity) mean that they are not well placed to make their own arrangements. In fulfilling its roles and responsibilities, Public Trust serves a key policy objective by facilitating the appointment of a permanent, skilled and independent executor/trustee in those situations where such characteristics are required; for example, where there might be perceived or potential conflicts between the interests of commercial trustee services providers and clients, lack of impartiality and/or where there is a strong need for permanency surrounding the provision of administration and trustee services.

Who we are

Public Trust has approximately 500 staff operating from 35 customer centres located throughout New Zealand (eight in the South Island and 27 in the North Island). It is a statutory corporation under the Public Trust Act 2001 (the Act) and is deemed to be a statutory entity for the purposes of the Crown Entities Act 2004 and the Public Finance Act 1989. Public Trust is governed by a Board, appointed by the Minister of Justice, acting with the agreement of the Minister of Finance (together, the responsible Ministers).

The Act specifies that Public Trust is to have the principal objective of operating as an effective business, while at the same time exhibiting a sense of social responsibility regarding the interests of the communities in which it operates. In meeting these objectives, the professional skills and qualifications of Public Trust staff cover a range of disciplines, including advisers, administrators, lawyers, accountants, sales and service personnel and other specialists.

Public Trust and its principal subsidiary New Zealand Permanent Trustees Limited comprise the Public Trust group for the purposes of this Statement of Intent. New Zealand Permanent Trustee Services Limited operates within the legislative framework governing companies, and is required to comply with the New Zealand Permanent Trustees Limited Act 1991.

The principal functions and objectives of Public Trust as set out in the Act are outlined in Appendix A.

The operating environment

Competition in the trustee services market remains intense and highly fragmented. Public Trust is also facing increased regulatory change and increased risk management requirements.

The regulatory landscape in which Public Trust participates is in the process of considerable change resulting in greater complexity and specialisation. Legislative programmes to date have mainly impacted on compliance, governance and risk obligations with a significant focus on disclosure affecting both Trustees and governance management process. Of particular significance is the introduction of the Retail Government Deposit Guarantee scheme for financial institutions, which has influenced the competitive framework.

The Reserve Bank of New Zealand is implementing a regulatory regime for Non Bank Deposit Takers, the definition of which includes Public Trust. These regulations which include capital adequacy requirements will be implemented in 2009/10 and 2010/11. Public Trust is consulting with the Reserve Bank of New Zealand on the requirements of the regime.

The international economic environment continues to dominate the domestic environment. The global credit crisis and its impact on the real economy means that the near term is likely to see a continuation of economic uncertainty, cautiousness, lower business and consumer confidence and longer decision making timelines. The trustee and financial services market is increasingly characterised by a process of convergence, reflected in recent times by organisational mergers, acquisitions and strategic partnerships.

Risk management continues to be a key focus integrated across the wider business, with key performance indicators that provide signs of potential business issues, allowing for pre-planned strategies to address these scenarios.

New Zealand's demographic profile is expected to change dramatically over the next 50 years. This includes changes in the age structure of the population towards an "older" population, significant population growth in Auckland, and greater ethnic diversity with increases in Maori, Pacific and Asian populations. These demographic shifts will necessitate that Public Trust remains focussed on meeting the changing needs of New Zealanders.

To enable the organisation to respond more effectively to market challenges, and to improve on recent operating performance, Public Trust is continuing its programme of transformation to provide better service to its customers. The key strategies to achieve this are described later.

The 2008/09 financial year has seen a continuation of the extremely adverse financial market conditions experienced in 2007/08. Investment market volatility has resulted in further substantial unrealised mark to market losses on interest bearing securities and mortgage backed securities. The unrealised losses over the last two years are forecast to be $49 million, representing approximately 7% of the investment securities book. However, we expect that most of the losses on interest bearing securities will reverse to profit by the time the securities mature. The reversal of investment losses, relating to mortgage backed securities, is less certain and will depend on the future performance of the underlying assets. The losses that reverse to profit in future years will supplement future forecast operating surpluses.

The weak state of property markets has resulted in mortgage provisions on a similar scale to 2007/08.

These events have had a very adverse impact on the forecast deficit after tax for the 2008/09 year which is now forecast to be $45m.

Public Trust is taking all possible actions to manage the business impact of changes in property and investment markets. A collective mortgage provision has been created to address residual risk in the mortgage portfolio. Mortgage lending criteria and credit policies have been reviewed together with the maturity profile of interest bearing securities to reduce investment risk. Further, a review of Public Trust's business model substantially reduces Public Trust's overall Common Fund investment risk over the next five years.

The property and investment markets will continue to generate a high level uncertainty for forecast financial performance and downside risks exist from further mortgage provisions and revaluation losses on mortgage backed securities, which are not actively traded.

2 Strategic Priorities

Where we are heading

In early 2007 Ministerial support was given to the outcomes of a comprehensive review of the business. The key outcome was that Public Trust should operate a business model based on being a "Niche Service Provider" focusing on core trustee services. To transform the business to what was envisaged in the review, a five year change programme was launched in mid 2007.

Public Trust further developed its strategic priorities in 2008, with the major enhancement being a review of its customer markets that resulted in three main groups being identified. These segments with their different requirements (Personal, Business and Corporate) formed the basis for developing customer strategies and were integrated with other supporting strategies.

These strategies have begun to show progress in terms of an improvement in the customer experience with high satisfaction levels and core fee earning revenue growth. These results are a positive sign of business opportunity particularly given the current economic climate. The strategies in this document are based on building on the momentum generated thus far in core business activities to achieve strong gains in volume, market share, revenue and profitability in the next three years.

Public Trust provides non commercial protective fiduciary services to the Ministry of Justice including the provision of free Wills. The scope of these services is being reviewed to confirm the range of non commercial services the Crown wishes to purchase from Public Trust.

The losses caused by the extremely adverse investment and property market conditions and the review with Ministry of Justice of non commercial protective fiduciary services have resulted in a recent review of Public Trust's business model. The primary objectives of this review were:

- Reduce risk in the Common Fund by:
    - Offering Common Fund deposits only to core trustee services customers.
    - Ensuring deposit rates continue to reflect the value of the statutory Crown guarantee.
    - Confining mortgage lending to residential and basic residential investment lending to trustee services customers only.
    - Restricting the investment term of securities and removing the Common Fund asset allocation for equity investments.
- Consider the business model options for non commercial fiduciary services that Public Trust provides.

Strategies and supporting plans directed at increasing Public Trust's customer centric focus and enhancing organisational capabilities form a core theme of Public Trust's strategies. To meet the needs of its customers, to grow the business and to make a more effective contribution to government outcomes, Public Trust is committed to becoming much more customer centric in everything it does. Further, there are untapped opportunities to broaden the scope of products and services provided to each of Public Trust's customers and to ensure that Public Trust remains relevant to its customers throughout their lives.

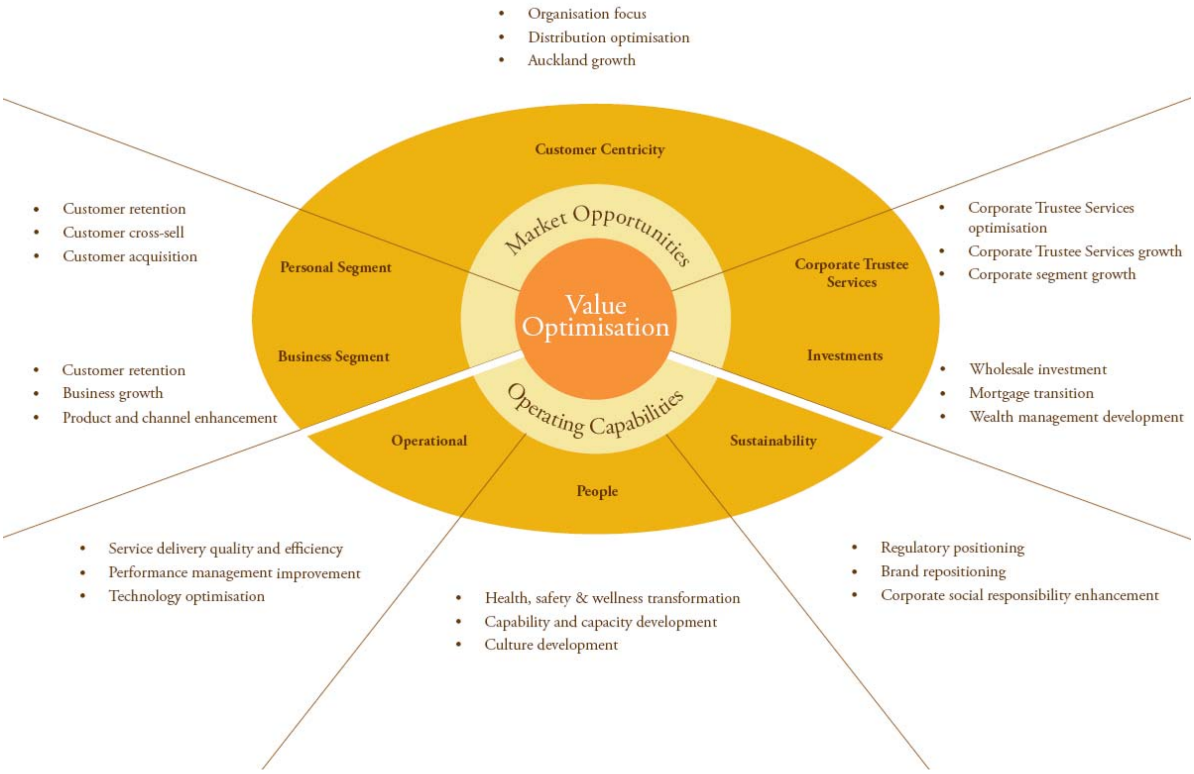
Implementing the change programme requires a significant focus on the capability of Public Trust's people. It also requires focus on operational processes, systems and performance management to effect changes in those areas to meet supporting or "enabling" strategic goals.

Key strategies

Public Trust aims to achieve more value from the market opportunities available to it and to invest in the organisational capability that is required to sustain higher rates of growth, innovation and profitability.

The strategies summarised below are designed to transform Public Trust from a predominantly "one-size-fits-all" distribution approach to an organisation that is focused on delivering value to each of its customer segments.

Eight strategic goals are supported by 24 strategies that have been developed to capture the opportunities identified by Public Trust as part of its review and analysis of the markets and environment within which the organisation operates.



The 2009/10 Business Plan incorporates the initiatives to be deployed to achieve the strategies outlined above. Successful deployment of these initiatives will result in a financially sustainable business with a commercial valuation estimated at $36 million. This estimate includes the provision of non commercial services under the existing Memorandum of Understanding with the Ministry of Justice. The basis of calculation is the net present value of expected cash flows which are discounted at the estimated weighted average cost of capital.

3 Contribution to Government Outcomes and Social Responsibility

Under its Act, Public Trust is required to exhibit a sense of social responsibility in discharging its responsibilities. Public Trust's obligations in this regard go deeper than just behaving in a socially responsible manner. The scope of Public Trust's activities, and the circumstances under which services are provided, set Public Trust apart from other entities that it competes against in the marketplace. Unlike its competitors, Public Trust plays a special role in meeting a range of government and social objectives.

Contribution to government outcomes

Public Trust contributes to justice sector outcomes through the provision of a range of non commercial protective fiduciary services. These are, in part, funded by the Crown through a Memorandum of Understanding (referred to as the Agreement) which is agreed annually between Public Trust and the Crown (through the Minister of Justice). The details of the protective fiduciary services provided pursuant to the Agreement are set out more fully in the Statement of Forecast Service Performance. In brief, the services include the provision of Wills, the administration of small estates and trusts, and the provision of services in relation to the Protection of Personal and Property Rights (PPPR) Act.

Public Trust's strategic goals also align to justice sector outcomes principally through the focus on key customer segments and the transformation of the customer experience in the Personal segment. Public Trust's "enabling" strategic goals relating to people, operational and sustainability dimensions also contribute to the alignment with key government focus areas.

As set out in the Agreement, the provision of non commercial protective fiduciary services contributes to the following broad objectives:

- The orderly management of the affairs and disposition of the estate of deceased persons protecting the rights of beneficiaries, avoiding dispute and the degradation of productive assets.
- The provision of "last resort" access to independent trustee and advocate services for the protection of the affairs and assets of minors, incapacitated persons and persons of limited means.
- The provision of long term independent trustee and advocate services for persons and entities needing protection or support as prescribed in various statutes.

Public Trust provides these services in a socially responsible manner by ensuring services are delivered with the same level of quality and professional focus as services that are paid for at commercial rates by other Public Trust customers.

The objectives that are articulated in the Agreement, and noted above, can be seen in a wider context of contributing to justice sector outcomes.

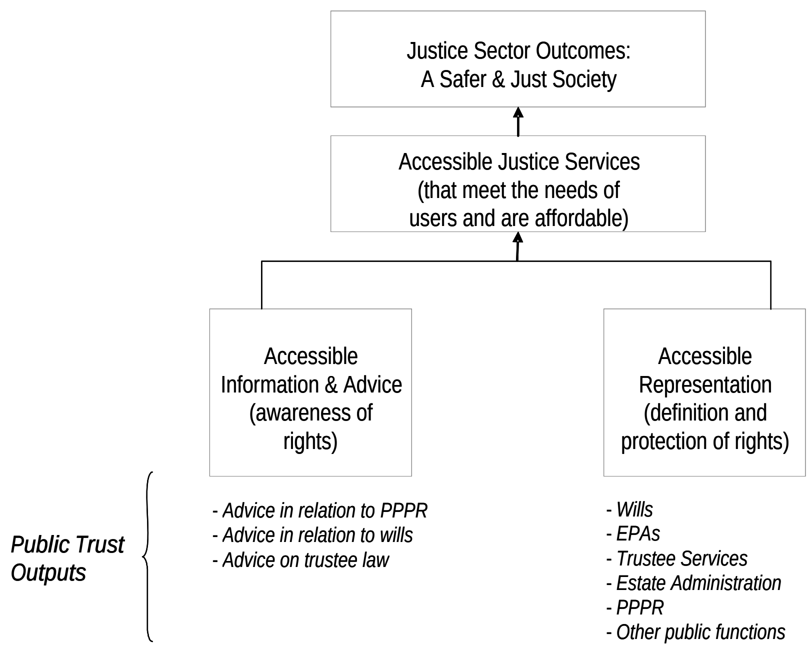
It is an important principle of justice that it must be accessible to all who require it. Accessibility has two key requirements:

- Awareness of rights (accessible information and advice).
- Definition and protection of rights (accessible representation).

Much of Public Trust's activity assists in making people aware of their rights and in defining and giving effect to personal rights. For example:

- Wills define rights regarding the estates of deceased persons.
- An enduring power of attorney (EPA) allows individuals to place their trust in Public Trust as an enduring and independent professional adviser to make decisions on their behalf in situations where they are no longer able to do this for themselves.
- Under various statutes, including the PPPR Act, Public Trust is appointed by the Courts to manage and administer the rights of those who are not in a position to care for themselves, or for whom the market does not provide an appropriate option.

The diagram below illustrates the linkages between some of Public Trust's outputs and the two requirements noted above in relation to accessible justice services.



Advice and representation can only be accessible if it is readily available in a timely manner and is relatively affordable. Public Trust has provided a free Wills service and other protective fiduciary services that are funded as part of the Agreement with the Crown. This arrangement is intended to ensure timely and affordable access to protective fiduciary services. Public Trust is in discussion with the Ministry of Justice regarding a review of these services. The Statement of Forecast Service Performance for 2009/10, included later in this SOI, is based on the 2008/09 levels of services.

Corporate Social Responsibility

Acting in a socially responsible manner is a key obligation for Public Trust under the Act.

The nature of the services Public Trust provides requires the highest standards of professional ethics. The values upon which Public Trust's success depends include putting the interests of customers first and being trustworthy.

In addition, Public Trust has a Corporate Social Responsibility (CSR) strategy. CSR has a number of dimensions, one of which is undertaking business responsibly. CSR also includes taking a leadership position in community, investment and social issues relevant to our business. Public Trust does this through sponsorships which connect Public Trust with well respected community organisations that have a similar and strong sense of social values comparable to those held by Public Trust. CSR also involves being accountable for the impact of Public Trust on social and environmental outcomes, and the impacts on stakeholders including our own employees.

Public Trust's leased vehicle contract seeks to minimise energy requirements through smaller engine sizes and a scheme to offset carbon emissions. Public Trust also exhibits energy consciousness in the operation of its premises and information technology resources.

Public Trust is already in the practice of reporting against its linkages with the community and its good employer obligations (outlined below) and, as discussed above, many of Public Trust's outputs serve important government policy objectives.

Public Trust is mindful, however, of government expectations regarding the need for demonstrated commitment to CSR and the need to ensure that CSR is ingrained in all aspects of our business. Reflecting this, one of the three main strategies identified in Public Trust's key strategies for ensuring organisational sustainability involves further developing and implementing CSR policies across the organisation. This work will cover aspects of policy, guidelines, and monitoring and reporting. This work will help to ensure that:

- CSR programmes and objectives are integrated into the annual business planning cycle.
- There is a sound basis for monitoring and reporting progress against CSR objectives.

Good employer

Public Trust operates with personnel policies that contain provisions generally accepted as necessary for the fair and proper treatment of employees in all aspects of their employment. These policies cover:

- The provision of good and safe working conditions.
- An equal employment opportunities programme aimed at identifying and eliminating all aspects of policies, procedures and other institutional barriers causing or perpetuating, or tending to cause or perpetuate, inequality in respect of the employment of any persons or group of persons.
- The impartial and transparent recruitment and selection of suitably qualified persons for appointment.
- Recognition of the aims, employment requirements and involvement of Māori as employees of Public Trust.

- Opportunities for the enhancement of the individual employee's abilities.
- Recognition of the aims, employment requirements and involvement of ethnic or minority groups.
- The employment requirements of persons with disabilities.

As part of its Annual Report, Public Trust will continue to report its achievement against the outcomes relating to the fair and proper treatment of its employees. It intends to do so under the headings of:

- People and culture.
- Recruitment, selection and induction.
- Employee development, promotion and exit.
- Flexibility and work design.
- Remuneration, recognition and conditions.
- Harassment and bullying prevention.
- Safe and healthy environment.

4 Monitoring and Evaluation

Public Trust has established a series of measures and targets to align with its strategic goals and objectives. Measures and targets reflect the commercial expectations of Public Trust. Non commercial performance measures are covered in the Statement of Forecast Service Performance. Measures address outcomes from the perspectives of ownership, efficiency and effectiveness, capability, and customer and market perspective.

Actual performance in relation to these measures will be reported in the Annual Report.

Performance measures

The main financial and non financial measures and standards of performance for Public Trust for the financial years ending 30 June 2010 to 30 June 2012 are shown below, along with 2007/08 and forecast 2008/09 data for comparison purposes.

	2007/2008 (Actual)	2008/2009 (Forecast Outturn)	2009/2010 (Forecast)	2010/2011 (Forecast)	2011/2012 (Forecast)
Ownership perspective					
Surplus/(Deficit) Post-Tax	($32.1m)	($44.9m)	($2.4m)	$1.6m	$7.3m
Return on Equity[(1)]	(99.7%)	n/a	n/a	9.8%	32.7%
Distributions to Crown	Nil	Nil	Nil	Nil	Nil
Efficiency and effectiveness perspective					
Cost / Revenue[(2)]	116.9%	125.2%	103.7%	101.5%	98.9%
Capability perspective					
Employee Engagement[(3)]	48%	55%	56%	58%	58%
Customer and market perspective					
Market Shares					
- Wills[(4)]	12.0%	13.0%	13.0%	13.5%	14.0%
- Estates	13.5%	14.0%	14.2%	14.5%	14.5%
Customer Satisfaction[(5)]					
- Wills	8.2	8.1	8.0	8.0	8.0
- Estates	8.1	8.2	8.0	8.0	8.0

Notes:

1. Return on Equity is not calculated in 2008/09 and 2009/10 due to forecast negative equity at 2008/09 year end. Return on Equity is surplus (deficit) post tax divided by the average of opening and closing equity

2. Total expenses as a percentage of total revenues (excluding investment gains or losses).

3. Independent survey of employee engagement (Global benchmark = 34%, New Zealand benchmark = 42%).

4. Independently conducted survey of market share.

5. Independently conducted survey of customer satisfaction (Range: 1 = poor, 10 = excellent).

Consultation and reporting

Consultation

As a matter of principle, Public Trust fully supports ongoing consultation and engagement with responsible Ministers.

Under the “no surprises” policy for Crown entities, Public Trust will proactively communicate with responsible Ministers in advance of issues and decisions that fall outside normal operations and which would have a material effect on its financial position. Policies on consultation with responsible Ministers are set out in Appendix C to this Statement of Intent.

Reporting

Public Trust has a number of requirements regarding formal reporting, and these are set out in Appendix C. These comprise preparation and presentation of an Annual Report, the Statement of Intent and Half Year Report. Reports will contain sufficient information to enable an informed assessment to be made of the operations and performance of Public Trust for the relevant period.

Public Trust is not required to report on matters concerning individual trusts and estates.

5 Forecast Financial Statements for the Financial Year ended 30 June 2010

Statement of Forecast Financial Position of the Group
As at 30 June 2010

	($000s) Forecast Outturn 2008/09	($000s) Forecast 2009/10
Assets		
Cash and cash equivalents	25,100	24,000
Investment securities	722,006	676,101
Derivative financial instruments	8,000	8,000
Advances to clients	7,000	7,000
Trade receivables	4,500	5,028
Advances secured by mortgage	312,439	275,984
Total financial assets	1,079,045	996,113
Sundry receivables	50	50
Prepayments	1,000	1,000
Property, plant & equipment	7,697	8,877
Intangibles	2,856	2,746
Current tax	357	-
Deferred tax asset	-	-
Total assets	**1,091,005**	**1,008,786**
Liabilities		
Liabilities to clients - at call or short term	486,053	433,881
Liabilities to clients - term deposits	590,542	530,298
Prepaid estate administration	800	750
Total liabilities to clients	1,077,395	964,929
Overdraft	17,000	17,000
Trade payables	1,500	1,500
Current tax	-	-
Other payables	2,800	2,800
Derivative financial instruments	1,900	1,900
Prepaid income	450	450
Employee benefits	4,100	4,223
Provisions	750	700
Total liabilities	**1,105,895**	**993,502**
Equity		
Contributed equity	60,174	90,174
Hedging reserve	(5,576)	(3,016)
Retained earnings	(69,489)	(71,874)
Total equity	**(14,891)**	**15,284**
Total liabilities plus equity	**1,091,005**	**1,008,786**

Statement of Forecast Changes in Equity of the Group
For the period 1 July 2009 to 30 June 2010

	($000s) Forecast Outturn 2008/09	($000s) Forecast 2009/10
Contributed Equity		
Opening Balance	40,174	60,174
Contribution by the Crown	20,000	30,000
Closing Balance	**60,174**	**90,174**
Cash flow hedging reserve		
Opening Balance	(377)	(5,576)
Other comprehensive income	(5,199)	2,560
Closing Balance	**(5,576)**	**(3,016)**
Retained Earnings		
Opening Balance	(24,564)	(69,489)
Profit (loss) after tax	(44,925)	(2,385)
Closing Balance	**(69,489)**	**(71,874)**
Equity at end of year	**(14,891)**	**15,284**

Statement of Forecast Comprehensive Income of the Group
For the period 1 July 2009 to 30 June 2010

	($000s) Forecast Outturn 2008/09	($000s) Forecast 2009/10
Revenue		
Revenue from financial instruments		
Interest from interest bearing securities	61,516	29,011
Interest from advances secured by mortgage	28,355	17,034
Distributions from equity investments	-	-
	89,871	46,045
Less: Interest expense	66,710	26,746
	23,161	19,299
Fees and commission revenue	35,669	39,996
Less: Fees and commission expense	(1,250)	(1,400)
Other revenue	400	400
Revenue from the Crown	4,500	4,500
Revenue before expenses	**62,480**	**62,795**
Expenses		
Employee benefits	40,371	38,396
Operating lease costs	4,300	4,300
Depreciation	2,080	2,220
Amortisation of intangibles	110	110
Net losses (gains) on disposals of property, plant & equipment and intangibles	-	-
Impairment losses and reversal of impairment losses on property, plant & equipment and intangibles	-	-
Impairment losses on advances secured by mortgages	13,000	1,830
Other costs	18,607	18,325
Total expenses	**78,468**	**65,180**
Net realised gains (losses) on investments	100	-
Net unrealised gains (losses) on investments	(29,037)	-
Net gains (losses) on investments	(28,937)	-
Profit before tax for the year	(44,925)	(2,385)
Tax expense	-	-
Profit after tax for the year	**(44,925)**	**(2,385)**
Other comprehensive income		
Cash flow hedges	(5,199)	2,560
Other comprehensive income for the year	**(5,199)**	**2,560**
Total comprehensive income for the year	**(50,124)**	**175**

Statement of Forecast Cash Flows of the Group
For the period 1 July 2009 to 30 June 2010

	($000s) Forecast Outturn 2008/09	($000s) Forecast 2009/10
Cash flows from operating activities		
Trading receipts		
Fees and other income	38,939	42,968
Dividends	-	-
Net Interest Income	89,871	46,045
Taxation	489	357
Trading payments		
Expenses	64,378	60,148
Interest	66,710	26,746
Taxation	-	-
GST	800	800
Cash flows from operating activities before changes in trading investments	**(2,589)**	**1,676**
Net flows from trading investments	(11,730)	2,560
Net cash flows from operating activities	(14,319)	4,236
Cash flows from investing activities		
Net flows from non trading investments	(110,678)	80,530
Sale of property, plant & equipment	-	-
Sale of intangibles	-	-
Purchase of property, plant & equipment	(2,200)	(3,400)
Purchase of intangibles	-	-
Net cash flows from investing activities	(112,878)	77,130
Cash flows from financing activities		
Net receipts from clients	99,759	(112,466)
Contribution from the Crown	20,000	30,000
Net cash flows from financing activities	119,759	(82,466)
Net increase (decrease) in cash and cash equivalents	(7,437)	(1,100)
Cash and cash equivalents at beginning of the year	15,537	8,100
Net exchange gains/(losses) on foreign currency cash and cash equivalent	-	-
Cash and cash equivalents at end of year	**8,100**	**7,000**

Statement of significant assumptions underlying the Forecast Financial Statements

The Forecast financial statements were authorised for issue on 18 June 2009 by the Board of Public Trust. The Board of Public Trust is responsible for the Forecast financial statements presented, including the appropriateness of the assumptions underlying the Forecast financial statements and all other disclosures.

It is not intended that the Forecast financial statements will be updated subsequent to 30 June 2009.

The Forecast financial statements have been prepared to meet the requirements of the Crown Entities Act 2004 and are in accordance with the Statement of Accounting Policies outlined in Appendix B. The information in these forecasts may not be appropriate for purposes other than those described.

Actual financial results achieved may vary from the information presented and this variance may be material.

The Forecast financial statements are based on the following 2009/10 Business Plan assumptions:

1. A capital contribution of $30 million in the first quarter of 2009/10.

2. The Non Bank Deposit Taker regime released by the Reserve Bank of New Zealand has not been incorporated in these forecasts. Public Trust is consulting with the Reserve Bank of New Zealand on the requirements. The regime proposes capital adequacy requirements which are expected to be fully implemented in 2010/11.

3. Interest bearing investment securities that incurred unrealised losses in 2007/08 and 2008/09 are held to maturity and more than half of these losses reverse to profit when the securities mature. The timing of reversals is uncertain and future losses are possible.

4. Continued growth in revenue from increased product volumes and funds under management from core estate and trust administration, as a result of the change programme.

5. Increased fee earning revenues from the re-pricing of services towards a more mid market position.

6. The Memorandum of Understanding for 2009/10 between the Crown and Public Trust, funded by the Ministry of Justice, has yet to be agreed. Funding is assumed to remain at $4.5 million.

7. Year end common fund client liabilities decrease by about 10% in 2009/10. The investment portfolio will be operated within approved asset allocation and risk policies (as determined by this SOI).

8. Expenses include a continued investment in change projects arising from the implementation of the change programme.

9. Risks exist that could affect the achievement of the results in the forecast financial statements:

   - The forecasts include provisions for mortgage losses and unrealised investment losses at a reduced rate than those in the 2008/09 forecast outturn – in the current economic climate these forecasts are highly uncertain and downside risks exist.

   - Volatility in investment markets makes gains or losses and their reversal difficult to forecast. These gains or losses can have a significant impact on the reported surplus after tax and related financial performance.

- The forecasts include increases in operating revenue which may be affected by economic or market developments.

- Forecast operating costs are based on assumptions about wage/salary growth and general inflation based on current forecasts of relatively weak economic performance in the next 12-24 months. If economic recovery occurs earlier than expected, cost growth pressures may arise.

- In the normal course of business Public Trust is subject to claims for failure of service delivery. Provisions or contingent liabilities are forecast on best estimates, but are an area of uncertainty in the forecasts.

6 Statement of Forecast Service Performance

Introduction

Each year, Public Trust and the Crown (acting through the Minister of Justice) enter into a Memorandum of Understanding (referred to as the Agreement) under which the Crown purchases a range of non commercial protective fiduciary services. Under the Agreement, non commercial services 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. Payment of these services is managed by the Ministry of Justice on behalf of the Crown.

This statement sets out service levels for the year ending June 2010. It is important to note that these service levels have yet to be agreed as part of the Memorandum of Understanding for 2009/10. Public Trust and the Ministry of Justice are reviewing the scope of the services. The services outlined in this statement are based on the services currently provided.

Pursuant to section 143 (1) (a) Crown Entities Act 2004, the Minister of Finance has exempted Public Trust from a Statement of Service Performance regarding Public Trust outputs other than those specified in the Memorandum of Understanding with the Crown.

Output Agreement

The non-commercial services to be provided by Public Trust under the Output Agreement are classified as **Provision of Protective Fiduciary Services**, and the outputs are described as follows:

1. Advice on Wills and the preparation of Wills.

2. Non commercial services with respect to the protection of personal property rights.

3. Advice on behalf of incapacitated persons for the protection of personal property rights.

4. Non-commercial services for the administration of small and/or complex estates and trusts.

5. Other non commercial public functions.

Further details of each output and of the key performance measures applicable for the year to 30 June 2010 are set out in the following pages.

Output 1:	
Wills Advice and Preparation	Advice to New Zealanders on the benefits of Will-making and preparation of a Will if so requested.
Performance Criteria:	
Quantity	• 8,000 new and 16,000 revised Wills made appointing Public Trust as executor.
Quality	• Standards are set through computerised Wills Expert System (WES) and documented in Wills-making "best practice". Customer satisfaction research reviewed once per year and on any changes to legislation. • Internal legal audit of 25 Wills per month will be undertaken with an error rate of no more than one requiring re-writing. • Customer satisfaction rating of >8.0 (range: 1 = poor, 10 = excellent).
Timeliness	95% of Wills will be available for signing within 7 days of taking instructions.

Output 2:	
Protection of Personal and Property Rights Non-Commercial Services	Administration, audit and advice services to incapacitated persons pursuant to the Protection of Personal and Property Rights Act 1988 (PPPR Act) under orders or elections, or under Public Trust Agencies, where charges to the recipient will not meet the costs of the service.
Performance Criteria:	
Quantity	• 6,500 actions. • 7,600 hours administering financial affairs under the PPPR Act. • 2,500 hours private manager examinations.
Quality	• Administration of financial affairs: o 95% reappointment as manager following review of management by Family Court. o no complaints from relatives and caregivers, relating to individual interests of the beneficiaries.
Timeliness	• Examination of Private Manager Statements: o no complaints received of late filing of

	Private Manager Statements to Courts.

Output 3:	
Advice for the Protection of Personal and Property Rights	Advice and research by Public Trust relating to enquiries on behalf of incapacitated persons on matters relevant to the Protection and Personal Property Rights Act 1988 or under Public Trust Agencies where charges to the recipient will not meet the costs of the service.
Performance Criteria:	
Quantity	• 1,200 hours spent providing services on behalf of incapacitated persons. • 1,300 enquiries.
Quality	• Complaints from customers will be less than 1% of cases dealt with.
Timeliness	• All enquiries will be acknowledged within 5 working days of receipt. • Urgent cases will be responded to within 1 working day. • 95% of complex cases will be actioned within 5 working days.

Output 4:	
Small Estates and Trusts	Administration of small and/or complex estates and trusts for which reasonable charges do not cover costs. Providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a will has been made.
Performance Criteria:	
Quantity	• 7,500 hours (or corresponding volume) spent administering small and/or complex estates and trusts administered. • 1,000 new estates & 7,500 continuing estates. • 1,300 automated tax returns • 800 hours spent providing advice on small and/or complex estates and trusts.
Quality	• 90% compliance with Public Trust processes, Best Practice standards and Output Agreement Charging Policies – to be assessed by a review process of a random sample of 3 contract files per Customer Services Officer per quarter. • Beneficiary satisfaction rating of >8.0 (range: 1 = poor; 10 = excellent).
Timeliness	• All enquiries will be acknowledged within 5 working days of receipt. • Urgent cases will be responded to within 1 working day.

	• 95% of complex cases will be actioned within 5 working days.

Output 5:	
Administration of Assets and Other Public Functions	Representation, audit, review, administration of the assets and rights of missing, unknown or incapable owners arising from Parts 7 & 8 of the Public Trust Act 2001 and several other statutes that represent a public function, for which Public Trust has no prospect of being paid or charges are insufficient to cover costs.
Performance Criteria:	
Quantity	• 10 hours spent providing services involving public functions in relation to assets and rights of missing, unknown or incapable persons. • 10 contracts.
Quality and Timeliness	• 98% compliance with agreed mandatory aspects of administration of assets and other public functions.

Location and accessibility (applicable to outputs 1 –5)

Staff will be available nationally during normal business hours.

Web site will be available 24 hours per day with no more than 0.5% downtime.

0800 phone lines available during normal business hours.

Forecast revenues and expenses

Revenues earned	$4.5 million (GST exclusive)
Expenses incurred*	$11.7 million (GST exclusive)

* Includes direct costs and allocated overhead costs, and based on forecast volumes for 2009/10.

Appendix A: Principal Functions and Objectives

Principal functions

Public Trust's principal functions, as defined in section 8(1) of the Public Trust Act 2001, are to:

- "*develop, promote, conduct, or otherwise participate in the business of providing comprehensive estate management and administrative services, including associated legal, financial, and other services; and*

- *carry out, perform, or otherwise fulfil functions conferred on Public Trust by this Act or any other Act*;

- *carry out, perform, or otherwise fulfil other functions requested by the Minister, acting in agreement with the Minister of Finance, and agreed to by Public Trust*;

- *develop, promote, conduct, or otherwise participate in such other business as Public Trust determines with the approval of the Minister, acting in agreement with the Minister of Finance*".

Objectives of Public Trust

The Act (section 9) specifies that Public Trust is "to have the principal objective of operating as an effective business", and to this end has objectives for:

- *"being as efficient as comparable businesses that are not owned by the Crown; and*
- *prudently managing its assets and liabilities; and*
- *maintaining financial viability in the long-term; and*
- *being a good employer; and*
- *being an organisation that exhibits a sense of social responsibility by having regard to the interests of the communities in which it operates".*

Appendix B: Statement of Accounting Policies

Reporting entity and statutory basis for reporting

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

Public Trust is a Crown Entity for the purposes of the Crown Entities Act 2004 and an issuer for the purpose of the Financial Reporting Act 1993. In accordance with the requirements of these statutes, Public Trust prepares separate financial statements (not presented in the Statement of Intent) for the Parent entity and consolidated forecast financial statements for the Group that comply with generally accepted accounting practice as defined by the Financial Reporting Act 1993.

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

These forecast financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate for profit-oriented entities.

Measurement basis

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

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

ACCOUNTING POLICIES

Basis of consolidation

The consolidated forecast financial statements include the parent entity together with its significant subsidiary, New Zealand Permanent Trustees Limited. Consolidation entails a line-by-line aggregation of the individual entity forecast financial statements and the elimination of intra-group balances and transactions including unrealised gains and losses.

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

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

The purchase method of accounting is used by the Group to account for the acquisition of subsidiaries in a business combination.

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

Financial instruments

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

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

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

Recognition and de-recognition of financial instruments
All financial instrument purchases and disposals are accounted for on a trade date basis. Financial instruments are de-recognised when the Group neither retains the risks and rewards of ownership nor controls the contractual rights to the cash flows arising from them.

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

Financial assets at fair value through profit or loss

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

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

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

- Investment in interest bearing securities
- Investments in equities
- Derivatives.

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

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

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

For financial assets not trading in an active market, prices are obtained from an independent third party. Where these prices are not available, a valuation technique is used. Valuation technique establishes an arm's length fair value estimate that reflects prevailing market conditions.

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

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

Dividends are recognised when the counterparty declares that a dividend is payable and specifies the amount of that dividend.

Derivative financial instruments

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

Derivative financial instruments including interest rate swaps, forward rate agreements, options, and combinations of these instruments are entered into by the Group for risk management purposes or for trading purposes.

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

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

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

Where derivatives form part of an effective hedge relationship, these derivatives are valued on the basis of the mid-range value from the range of relevant interest rates. Any related revaluation of a hedged item is similarly valued on the same basis of the mid-range value.

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

Where the instrument is recognised in the profit or loss, that component of the change in fair value that relates to interest received or accrued in the current year is included in net interest revenue. The remainder is included in other income.

Derivatives designated as hedging instruments – Cash flow hedges
Derivatives, whose purpose is to match the cash outflows arising from liabilities to clients at call as interest rates change, are designated as cash flow hedges. To the extent that individual hedges are effective at inception and remain so, changes in the fair value of the derivatives are recognised in the cash flow hedging reserve. Any ineffective portion is recognised in the profit or loss.

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

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

When the hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Group elects to revoke the hedge designation, the resulting adjustment to the carrying amount of the hedged item is amortised to the profit or loss.

Loans and receivables

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

Financial assets in this category include:

- Cash and cash equivalents
- Advances to clients
- Trade receivables
- Advances secured by mortgage.

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

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

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

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

Cash and cash equivalents

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

Trade receivables

The receivable from the Crown represents sums due, but not yet received, for services which the Crown pays the Group to deliver.

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

All other trade receivables are short term in nature, do not carry any interest and are accordingly stated at their nominal value.

Advances secured by mortgage

Advances secured by mortgage are initially recognised at cost including origination fees, plus any transaction costs that are directly attributable to the issue of the advance. Origination fees and transaction costs are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by amortising fees and costs to the profit or loss over the expected term of the advance.

Advances secured by mortgage – impairment

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

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

When an advance is uncollectible, it is written off against the related impairment allowance. Subsequent recoveries of amounts previously written off are recognised in the profit or loss.

For the purposes of a collective evaluation of impairment, advances secured by mortgage are grouped together on the basis of similar risk characteristics. Future cash flows of the group are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

Financial liabilities at fair value through profit or loss

Liabilities at fair value through profit or loss are comprised solely of those derivatives in a loss position which cannot be offset against a countervailing balance which form parts of a qualifying offset agreement.

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

Term deposits – subject to fair value hedges
Term deposits that are the hedged item in a fair value hedge accounting relationship are carried at amortised cost plus an adjustment to arrive at the fair value ascribed to the risk being hedged. The fair value change is recognised in the profit or loss.

Other financial liabilities

Other financial liabilities comprise all financial liabilities other than derivatives in a loss position.

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

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

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

Foreign currency transactions

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

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

Property, plant & equipment

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

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

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

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

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

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

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

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

Intangible assets

Intangible assets are recognised where they are clearly identifiable, and have probable future economic benefits controlled by entities within the Group that can be reliably measured. Intangible assets are initially recognised at cost and subsequently carried at cost, less any accumulated amortisation and accumulated impairment losses.

Goodwill
Goodwill arising from the purchase of an entity is recognised in the Group's statement of financial position. It is initially recognised at cost and subsequently carried at cost, less any accumulated impairment losses, subject to the concession to allow pre-existing goodwill to be carried at its amortised cost at the date of transition to NZ IFRS.

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

Intangible IT assets
Intangible IT assets comprise computer software that is not integral to the operating systems of computer and server equipment. These are classified as finite life intangible assets that are initially recognised at the cost necessary to bring the software to the condition intended for functionality. Until the intangible IT assets are at this level of functionality, costs are accumulated as capital work in progress. Once the software is capable of functionality, the cost is amortised over its estimated useful life of three to five years using the straight-line method.

Both the estimated useful life and the amortisation method are reviewed annually at each balance sheet date to ensure these remain appropriate.

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

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

Parent investment in subsidiary

In the Parent's financial statements (not presented in the Statement of Intent), investment in a subsidiary is accounted for by the cost method. Under this method the cost of an acquired subsidiary is measured as the fair value of the assets given in exchange at the date of acquisition, plus costs directly attributable to the acquisition, subject to the concession to allow the acquisition to be carried at the deemed cost at the date of transition to NZ IFRS.

After acquisition, investment in subsidiary is subject to review for impairment at each financial year-end.

Dividends from the subsidiary are recognised in the profit or loss of the parent's financial statements when the right to receive is established.

Prepaid income

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

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

Employee benefits

Annual leave
Provision is made for annual leave in accordance with the accumulated entitlement as at the balance sheet date. This is carried at the cash amount necessary to settle the obligation.

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

Long-service leave
Provision is made for long-service leave and retirement benefits on an actuarial basis. Projected cash flows are estimated in accordance with both national and entity experience. The resulting projected cash flows are discounted in accordance with market yields on New Zealand Government bonds as at the balance sheet date.

Provisions

Restructuring
The restructuring provision relates to the termination of employment. This is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly before or at balance date. This provision is carried at the estimated amount of cash necessary to settle the obligation.

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

Remedial work and litigation
The remedial work and litigation provision relates to a number of matters where fault with the Group's service delivery has been alleged or other contractual dispute has arisen, including some matters that may take a number of years for resolution.

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

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

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

Leases

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

Lease incentives
Any lease incentives are amortised over the estimated occupancy periods and offset against lease expenditure in the profit or loss. The estimated occupancy period is based on the contractual terms of the lease and is reviewed annually.

Tax

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

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

Deferred tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, together with any future income tax benefits arising from unutilised tax losses in the forecast financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

Receivables and payables are recognised inclusive of any applicable GST.

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

Fee revenue

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

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

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

Presentation of cash flows

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

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

Commitments

Commitments for goods yet to be received are not recognised and are disclosed in the statement of commitments (not presented in the Statement of Intent) where material.

Changes in accounting policies

There have been no changes in accounting policies. The accounting policies have been consistently applied throughout the periods in the forecast financial statements.

Application of accounting standards

The following new standards, amendments to standards or interpretations have been issued but not yet effective for the year ended 30 June 2010, and have not been applied in preparing these forecast financial statements:

NZ IAS 7 *Statement of Cash Flows (amendment):* effective for annual periods beginning on or after 1 January 2010.

NZ IAS 36 *Impairment of Assets (amendment):* effective for annual periods beginning on or after 1 January 2010.

NZ IAS 39 *Financial Instruments: Recognition and Measurement (amendment):* effective for annual periods beginning on or after 1 January 2010.

NZ IFRS 8 *Operating Segments (amendment)*: effective for annual periods beginning on or after 1 January 2010.

The adoption of the above standards in future periods is not expected to have a material impact for recognition and measurement purposes. The impact on disclosures has not yet been determined. These standards will initially be applied in the forecast financial statements for the year ending 30 June 2011.

Use of judgements and estimates

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

Appendix C: Consultation and Reporting

Establishment of Public Trust subsidiaries

Under section 96(b) of the Crown Entities Act, Public Trust will:

a. Advise the responsible Ministers of any proposal to establish a subsidiary in New Zealand.

b. Consult the responsible Ministers on any proposal to establish a subsidiary outside New Zealand.

Consultation on other matters

Public Trust will in relation to any single or connected series of transactions consult with the responsible Ministers on items outside normal operations and having a material impact on Public Trust's financial position not contemplated in the Business Plan including:

a. Any substantial capital investment in Public Trust activities within the nature and scope of those outlined in this Statement of Intent.

b. Any requirement for substantial additions to its capital reserves.

c. The sale or other disposal of the whole or any substantial part of the business or undertaking of Public Trust or its subsidiaries.

d. The purchase or other acquisition of shares in any company or equity interests in any other organisation which are material, involving a significant overseas equity investment or are outside the nature and scope of Public Trust's activities outlined in this Statement of Intent.

e. Where Public Trust or its subsidiaries hold 20% or more of the shares in any company or other body corporate (not being a subsidiary of Public Trust), the sale or other disposal of any shares in that company.

Public Trust will also consult with the responsible Ministers:

a. Before adopting or amending a Public Trust Statement of Investment Policy and Objectives for the Common Fund; or

b. On specific items included in the Business Plan as agreed between it and the responsible Ministers from time to time.

Exception

Advice to or consultation with the responsible Ministers is not required in relation to the establishment of a subsidiary or the acquisition or disposal of shares, interests or assets:

a. In relation to any estate managed or administered by Public Trust; or

b. Intended to form, or forming, part of the Common Fund (in accordance with its Statement of Investment Policy and Objectives) or any group investment fund established or kept by Public Trust.

Reporting

An annual report will be prepared and presented to the responsible Ministers in accordance with section 150 of the Crown Entities Act 2004. The report will include financial statements and an audit report, statement of responsibility and such other information required by the Crown Entities Act 2004.

The annual report will contain sufficient information to enable an informed assessment to be made of the operations and performance of Public Trust for the relevant financial year.

A half yearly report will be prepared and presented to the responsible Ministers. The report will include unaudited financial statements and such details as are necessary to permit an informed assessment of the performance of Public Trust during the reporting period. This report will be provided within two months of the half-year end.

A summary of the Business Plan of Public Trust and a draft Statement of Intent will be made available to the responsible Ministers for discussion not later than one month prior to the commencement of the first financial year to which the Business Plan and Statement of Intent relate.

Public Trust will not, without consulting the responsible Ministers, amend the Statement of Investment Policy and Objectives for the Common Fund.

Public Trust will provide other information requested by responsible Ministers in accordance with section 133 of the Crown Entities Act 2004, subject to section 46 of the Public Trust Act 2001.