Public Trust

Statement of Intent

For the financial years ending 30 June 2009 to 30 June 2011

June 2008

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Chairman's Foreword

We are pleased to present the Statement of Intent for Public Trust.

The theme of this year's Statement of Intent is "creating our future" as Public Trust continues to build on the foundations laid out in the 2007/08 Business Plan.

During the year Public Trust has refreshed its Strategic Plan to enhance the focus on customers and market segments. The refreshed Strategic Plan gives us an overall roadmap, within that overview we have taken a portfolio approach to the projects in the Plan. This means that we have carefully prioritised the projects and allowed for the inter-dependencies between them. The 2008/09 Business Plan outlines the initiatives to continue the journey towards becoming a sustainable business based on achieving a high quality customer experience. The Plan identifies the areas of Public Trust's business that need significant investment in order to effect the change to customer centricity and to achieve enhanced levels of financial and operational performance that will sustain Public Trust into the future. Investing in operating capability improvement, particularly people development and process re-engineering, are central to the transformation.

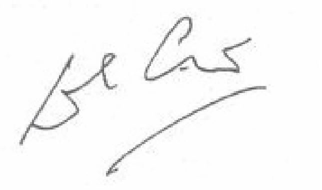
The 2008/09 year will be a period of accelerating change at Public Trust that will impact on all areas of the business. There will be changes in organisation design, customer products and services, and positioning in the market place.

The investment that is required to give effect to the Strategic Plan means that Public Trust's core business financial performance, while improving over the period covered by this Statement of Intent, will during much of the period, be below the level that the Board considers is necessary for long term financial sustainability. The benefits from the investment will, however, begin to flow through into enhanced financial performance during 2010/11. Overall performance is enhanced by the write-back of forecast unrealised investment losses sustained in the 2007/08 financial year, and from 2009/10 by the anticipated full funding from the Ministry of Justice for the programmes that Public Trust delivers to them.

In the longer term (i.e. beyond 2010/11), the investment in capability is projected to deliver improved after tax surpluses due to increases in revenues and market shares in key markets and segments. These surpluses will maintain Public Trust's financial strength in the longer term while meeting the objective required under the Public Trust Act 2001 to exhibit a sense of social responsibility. The benefits that emerge will lay the foundations for a dynamic, responsive and innovative organisation that will ensure Public Trust's sustainability.

Public Trust is mindful that as a Crown Entity it has an important role to play in contributing to Government outcomes, and in this regard, Public Trust's role sets it apart from its competitors in the market. There is a need for Public Trust, as part of the Statement of Intent, to describe the specific impacts or outcomes that it seeks to contribute to, and to describe the steps the organisation is taking to ensure it achieves its objective of operating in a socially responsible manner. This year's Statement of Intent describes in more depth the linkages between some of Public Trust's outputs and Government outcomes.

Public Trust has a long tradition of serving New Zealanders. We look forward with optimism to maintaining that tradition by ensuring all New Zealanders continue to have the opportunity to build and protect their assets and interests, now and for generations ahead.



Donal Curtin

Chair

Robin Hill

Deputy Chair

30 June 2008

1 Profile of Public Trust

Purpose and statutory objectives

Public Trust's primary purpose is:

> *"Helping all New Zealanders to take care of their interests"*

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 managing 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:

- We put customers' interests first.
- We are straightforward.
- We are trustworthy.
- We do what we say we will do.
- We are supportive, helpful and cooperative with colleagues.

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 the lives of New Zealanders 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 Wills that are held by Public Trust is over 320,000 and Public Trust is involved in preparing around 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 5,000 family trusts.
- Charitable trusts. Public Trust manages over 400 charitable trusts that between them have a cumulative total of around $400 million in assets. The range of trusts is diverse and they generate funds for a wide range of purposes including science, medicine, the disabled and agriculture.
- Corporate trustee services. Public Trust has approximately $15.1 billion under supervision.
- Public Trust also administers approximately $3.3 billion in assets including around $1.3 billion in investment funds.
- Home loans and conveyancing. Total mortgage lending to Public Trust customers is around $320 million. In addition, Public Trust administers mortgage portfolios for other clients. These total in excess of $240 million.
- Student fee protection. Over 360 private training establishments have signed up to Public Trust's "Fee Protect" service. Since this service was introduced, "Fee Protect" has safeguarded the fees of more than 148,000 students totalling over $685 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 with 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 to provide some of the protective fiduciary services described above on a partial or no cost recovery basis. The Crown provides some funding for these non-commercial services (the details of which are set out below 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. due to 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 480 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 Responsible Minister, acting with the agreement of the Minister of Finance (together, the Stakeholding 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 advisors, 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 is intense and highly fragmented. Public Trust competes with a wide range of providers: law firms for Wills; private companies for estate and trust work; trustee companies for corporate trust activities; and banks and other financial service providers for investment products. The trustee and financial services markets are increasingly characterised by a process of convergence, reflected in recent times by organisational mergers, acquisitions and strategic partnerships.

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

In the current market climate, Public Trust has invested in raising its profile through increased marketing and sales activity, and is adopting a strong focus on provision of customer service. This has resulted in increased consumer awareness of Public Trust, and high levels of customer satisfaction with products and service.

Notwithstanding increases in brand awareness and customer satisfaction levels that Public Trust has achieved to date, challenges remain for Public Trust to compete successfully in the New Zealand market, and achieve its vision: "To be the leader in the trustee services market". Market growth in areas of core business has been static, and the business needs to grow market share to meet expectations for financial performance over the longer term.

To enable it to respond more effectively to market challenges and to continue to improve on recent operating performance, Public Trust is in the process of transforming its capability to provide a better service to its customers. This is reflected in its Strategic Plan, the key elements of which are described below.

The 2007/08 financial year has been affected by major developments in international financial markets. The "Sub Prime" mortgage crisis in the US resulted in major market changes that have led to significant unrealised investment losses on Public Trust's interest bearing securities. This has resulted in a large forecast deficit after tax for the year. These securities are held to maturity and it is expected that the losses will reverse in future years, supplementing forecast operating surpluses.

2 Strategic Priorities and Plans

Where we are heading

Public Trust has been further developing its strategic priorities and a strategic plan has been completed. The main elements of the Strategic Plan are reflected in the 2008 Business Plan and in this Statement of Intent. The Strategic Plan is guiding the development of Public Trust's business plans for 2008/09 and beyond.

Public Trust has segmented its customer markets into three main groups reflecting the different requirements of each: Personal, Business and Corporate.

In terms of revenue and numbers of staff, the Personal segment is by far the largest, but this sector is not making sufficient contribution to the overall financial performance of Public Trust. This situation, in part, reflects the low level of funding provided by Government for the provision of non-commercial services. Notwithstanding this, there are opportunities for Public Trust to increase the contribution from this segment of its business. In short, the strategies and supporting plans that Public Trust has been working on are aimed at becoming much more customer centric in focus. 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.

The Business and Corporate segments, conversely, make the largest contributions but on smaller revenue bases. There are opportunities to broaden and deepen Public Trust's product offering to business customers and to innovate and develop new markets in the Corporate segment.

The Strategic Plan provides the platform for Public Trust to focus on its core business in the trustee services market and to develop the capability to attract additional customers, to generate greater value from existing customers and to grow market share.

Implementing the Plan requires a significant investment in the capability of Public Trust's people. It also requires investment to effect changes to operational processes, systems and performance management. Overarching this, there is a need to foster a more innovative culture within the organisation.

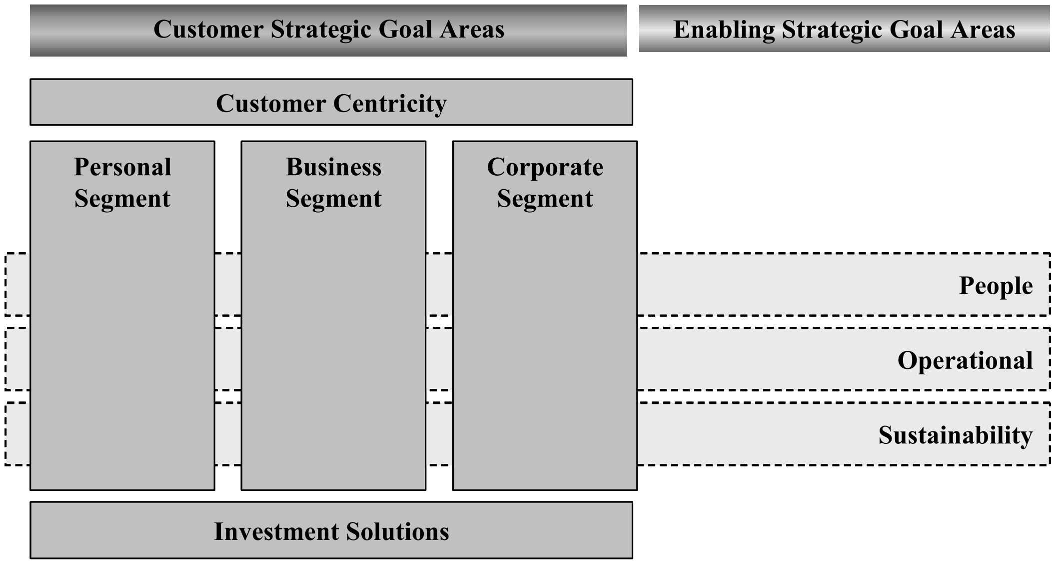
In the past, Public Trust has been heavily product focused. To meet the needs of its customers, to grow the business and to make a more effective contribution to government outcomes, Public Trust is committed to becoming much more customer centric in everything it does. The investments noted above are key to this change.

The major gains from implementing the Strategic Plan will begin to flow through into the financial results for 2010/11. These gains will continue to grow and accumulate in subsequent years.

Strategic Plan

Public Trust's Strategic Plan 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 Plan has been built around five customer strategic goal areas and three enabling strategic goal areas as summarised in the diagram below.



The customer strategic goal areas 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.

The "enabling" strategic goals are aimed at enhancing organisational capacity and capability so that Public Trust can achieve its customer goals. The eight customer and enabling 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 eight strategic goals in summary are:

1. Focus on delivery to key customer segments.
2. Transform the customer experience in the Personal segment.
3. Become the leading provider of trustee services to the Business segment.
4. Enhance services and develop innovation in the Corporate segment.
5. Achieve high performance through enhancing investment expertise.
6. Build people capability and deployment to secure long term sustainable advantage.
7. Implement efficient and effective operational management practices.
8. Ensure a responsible, enduring and vibrant organisation.

Note: The description of the above goals has been provided in summary detail only due to the commercially sensitive nature of the strategies and initiatives contained in Public Trust's Strategic and Business Plans.

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 the Government's key "Families - Young & Old" priority and related justice sector outcomes through the provision of a range of 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 and the Minister Responsible for Public Trust). 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 with the Government's "Families - Young & Old" priority and related 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 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 avoiding 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's provides these services in a socially responsible manner by ensuring services are delivered with the same level of quality and professional focus given to services that are paid for in full 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.

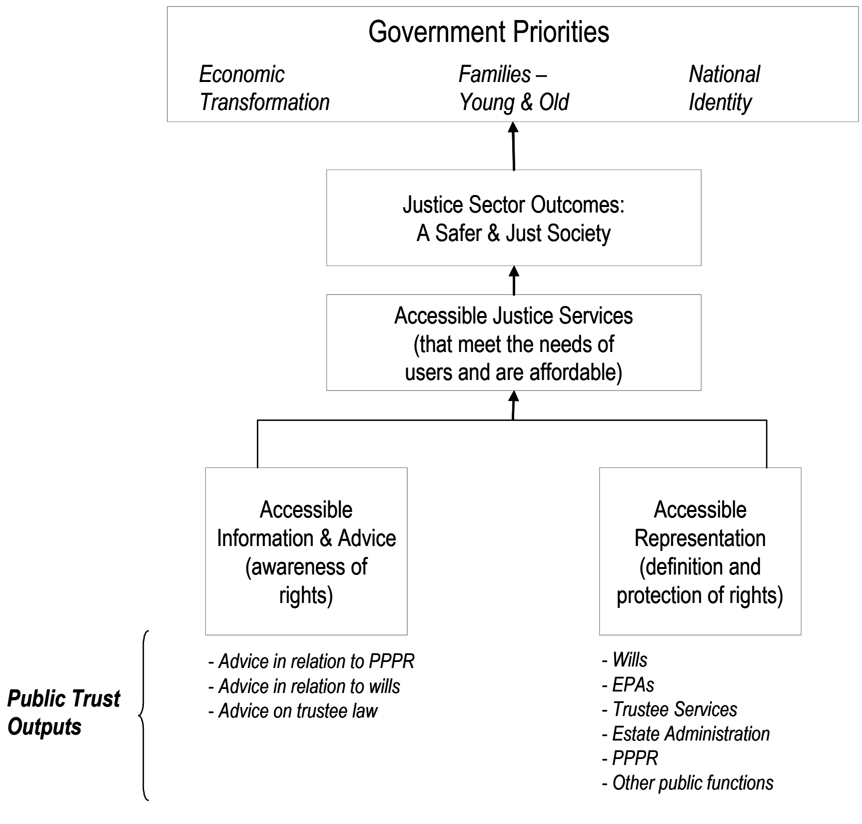
Ministers have agreed a number of outcomes for the justice sector. Among these is the outcome of ensuring that justice services are accessible. It is an important principle of justice that it must be accessible to all who require it. Accessibility has two key requirements:

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

Much of what Public Trust does, 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 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. Cabinet has previously agreed that Public Trust should provide 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 and the Statement of Forecast Service Performance included later in this Statement of Intent sets out in more detail the expected scope of these non-commercial services in 2008/09. The current level of Crown funding falls short of the full costs involved in the provision of such services. Public Trust is in discussion with the Minister Responsible for Public Trust and officials regarding the underfunding of these 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). CSR has a multitude of dimensions of which undertaking business responsibly is just one dimension. CSR also includes taking a leadership position in community, investment and social issues relevant to our business. Public Trust does this through sponsorships (such as that with the Royal New Zealand Returned and Services' Association) which connect Public Trust with well respected community organisations that have a similar and strong sense of social values 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 engages in a leased vehicle regime with its provider that seeks to minimise energy requirements through smaller engine sizes and through 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 strategic plan 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 customers.

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 2009 to 30 June 2011 are shown below along with 2006/07 and 2007/08 data for comparison purposes.

	2006/2007 (Actual)	**2007/2008 (Forecast Outturn)**	**2008/2009 (Forecast)**	**2009/2010 (Forecast)**	**2010/2011 (Forecast)**
Ownership perspective					
Surplus/(Deficit) Post-Tax	$4.0m	($19.9m)	$4.5m	$7.2m	$9.4m
Return on Equity	8.8%	(50.5%)	14.3%	19.2%	20.5%
Distributions to Crown	Nil	Nil	Nil	Nil	Nil
Efficiency and effectiveness perspective					
Cost / Revenue (1)	94.1%	101.3%	100.9%	95.9%	92.1%
Capability perspective					
Staff Satisfaction (2)	2.75	2.84			
Employee Engagement (3)		48%	45%	47%	49%
Customer Perspective					
Customer Satisfaction (4)					
- Wills	8.1	8.1	8.0	8.0	8.0
- Estates	8.2	8.2	8.0	8.0	8.0

Notes:

1. Percentage of total whole-of-year operating expenditure to total whole-of-year revenues (excluding investment gains).
2. Independent survey of staff satisfaction (range: 1 = excellent, 6 = poor).
3. Independent survey of employee engagement (Australasian benchmark = 40%). 2008/09 target reduction from 2007/08 result reflects the expected impact of the PT*ON* Change Programme.

4. 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 Stakeholding Ministers.

Under the “no surprises” policy for Crown entities, Public Trust will proactively communicate with Stakeholding 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 Stakeholding 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, Half-yearly Reports and Quarterly Reports. 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.

It is noted that 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 2009

Statement of Forecast Financial Position of the Group
As at 30 June 2009

	($000s) Forecast Outturn 2007/08	Forecast 2008/09
Assets		
Cash and cash equivalents	23,000	23,000
Investment securities	602,171	646,156
Derivative financial instruments	8,000	8,000
Advances to clients	7,000	7,000
Trade receivables	11,500	12,000
Advances secured by mortgage	315,000	365,400
Total financial assets	966,671	1,061,556
Sundry receivables	50	50
Prepayments	1,000	1,000
Property, plant & equipment	9,051	11,314
Intangibles	2,660	2,550
Current tax	357	0
Deferred tax asset	0	0
Total assets	**979,789**	**1,076,470**
Liabilities		
Liabilities to clients - at call or short term	413,700	412,490
Liabilities to clients - term deposits	507,320	600,667
Prepaid estate administration	800	750
Total liabilities to clients	921,820	1,013,907
Overdraft	17,000	17,000
Trade payables	1,500	1,500
Current tax	0	0
Other payables	2,800	2,800
Derivative financial instruments	1,900	1,900
Prepaid income	450	450
Provisions for employee entitlements	4,100	4,223
Other provisions	750	700
Total liabilities	**950,320**	**1,042,480**
Equity		
Contributed equity	40,174	40,174
Hedging reserve	1,587	1,587
Retained earnings	(12,292)	(7,771)
Total equity	**29,469**	**33,990**
Total liabilities plus equity	**979,789**	**1,076,470**

Statement of Forecast Movements in Equity of the Group
For the period 1 July 2008 to 30 June 2009

($000s)	Forecast Outturn 2007/08	Forecast 2008/09
Equity at beginning of period	49,244	29,469
Net change in Cash Flow hedges	100	0
Revenue and expense recognised directly in equity	100	0
Net profit after tax	(19,875)	4,521
Total recognised revenues & expenses for the period	(19,875)	4,521
Equity at end of the period	29,469	33,990

Statement of Forecast Financial Performance of the Group
For the period 1 July 2008 to 30 June 2009

($000s)	Forecast Outturn 2007/08	Forecast 2008/09
Revenue		
Revenue from financial instruments		
Interest from interest bearing securities	48,377	55,181
Interest from advances secured by mortgage	23,437	32,989
Distributions from equity investments	0	0
	71,814	88,170
Less: Interest expense	46,964	61,707
	24,850	26,463
Fees and commission revenue	33,762	33,933
Less: Fees and commission expense	(1,546)	(1,576)
Other operating revenue	2,450	2,450
Crown revenue	4,500	4,500
Revenue before operating expenses	**64,016**	**65,770**
Operating expenses		
Employee benefits	38,449	40,446
Operating lease costs	4,269	4,300
Depreciation	1,891	2,737
Impairment of advances secured by mortgages	3,300	600
Amortisation of intangibles	110	110
Net losses (gains) on disposals of property, plant & equipment and intangibles	0	0
Impairment losses and reversal of impairment losses on property, plant & equipment and intangibles	0	0
Other operating costs	16,830	18,180
Total operating expense	**64,849**	**66,373**
Net realised gains (losses) on investments	1,623	0
Net unrealised gains (losses) on investments	(20,665)	5,124
Net gains (losses) on investments	(19,042)	5,124
Net profit before tax for the year	(19,875)	4,521
Tax expense	0	0
Net profit after tax for the year	**(19,875)**	**4,521**

Statement of Forecast Cash Flows of the Group
For the period 1 July 2008 to 30 June 2009

	Forecast Outturn ($000s) 2007/08	Forecast 2008/09
Cash flows from operating activities		
Trading receipts		
Fees and other income	37,956	38,807
Dividends	0	0
Interest	71,814	88,170
Taxation	14	357
Trading payments		
Operating expenses	63,260	62,653
Interest	46,964	61,707
Taxation	0	0
GST	800	800
Cash flows from operating activities before changes in operating assets and liabilities	**(1,240)**	**2,174**
Changes in operating assets and liabilities arising from cash flow movements		
Net flows from trading investments	(1,258)	0
Net cash flows from operating activities	(2,498)	2,174
Cash flows from investing activities		
Net flows from non trading investments	(146,782)	(89,261)
Sale of property, plant & equipment	0	0
Sale of intangibles	0	0
Purchase of property, plant & equipment	(3,613)	(5,000)
Purchase of intangibles	0	0
Net cash flows from investing activities	(150,395)	(94,261)
Cash flows from financing activities		
Net receipts from clients	136,993	92,087
Cash was applied to:		
Finance leases		
Distributions to owner		
Net cash flows from financing activities	136,993	92,087
Net increase (decrease) in cash and cash equivalents	(15,900)	
Cash and cash equivalents at beginning of the year	21,900	6,000
Net exchange gains/(losses) on foreign currency cash and cash equivalent	0	0
Cash and cash equivalents at end of the period	**6,000**	**6,000**
Cash and cash equivalents	23,000	23,000
Overdraft	(17,000)	(17,000)
Cash and cash equivalents at end of the period	**6,000**	**6,000**

Statement of significant assumptions underlying the Forecast Financial Statements

The Forecast Financial Statements have been prepared in accordance with the Statement of Accounting Policies outlined in Appendix B.

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

The forecast financial statements are based on the 2008/09 Business Plan and the initiatives outlined within it. The 2008/09 Business Plan was approved by the Public Trust Board in May 2008. The Plan uses as a starting point forecast financial outturns for the 2007/08 year. Forecasts in the Business Plan 2008/09 are based on the following assumptions:

1. Continued growth in revenue from increased product volumes and funds under management from core estate and trust administration, as a result of strategic initiatives.

2. No change to the level of funding provided for the provision of non-commercial protective fiduciary services in 2008/09. Services are assumed to be fully funded from 2009/10 (this results in an anticipated increase in revenue of $6.1m).

3. Operating expenses increase with personnel and other costs rising to support the growth in business volumes.

4. Expenses include a continued investment in change projects arising from the implementation of strategic initiatives.

5. Common Fund client liabilities increase by 10% in 2008/09. Investment asset portfolio maintained within approved asset allocation and risk policies.

6. Interest bearing investment securities that incurred unrealised losses in 2007/08 are held to maturity, and the losses reverse to profit over the remaining term of the securities. Volatility in investment markets makes gains or losses difficult to forecast, and these gains or losses can have a significant impact on the reported surplus after tax and related financial performance.

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

    - The forecasts include provisions for mortgage losses at a reduced rate than those in the 2007/08 forecast outturn – in the current economic climate these forecasts are highly uncertain.

    - The forecasts include increases in operating revenue which have a moderate degree of uncertainty related to lower than anticipated volumes or interest margins.

    - Forecast operating costs are based on assumptions about wage and salary growth and for general inflation. There is a low degree of uncertainty of a large economic expansion creating a significantly higher rate of wage and price growth.

6 Statement of Forecast Service Performance

Introduction

Each year, Public Trust and the Crown (acting through the Minister Responsible for Public Trust and 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.

The statement set out below reflects anticipated service levels for the year ending June 2009. It is important to note that these service levels have yet to be agreed as part of the Memorandum of Understanding for 2008/09.

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 2009 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: ○ 95% reappointment as manager following review of management by Family Court. ○ no complaints from relatives and caregivers, relating to individual interests of the beneficiaries.
Timeliness	• Examination of Private Manager Statements: ○ 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 $4,500,000 (GST exclusive)

Expenses incurred* $10,625,000 (GST exclusive)

* Includes direct costs and allocated overhead costs, and based on forecast volumes for 2008/09.

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*";
- "*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".*

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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).

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 annual financial statements for the parent entity and consolidated financial statements for the group that comply with generally accepted accounting practice as defined by the Financial Reporting Act 1993.

Public Trust comprises the parent entity and includes those liabilities defined as the Common Fund by the 2001 Act. The Public Trust Group comprises Public Trust and its subsidiaries.

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 cash balances 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.

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.

Basis of preparation

The forecast financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). NZ GAAP comprises New Zealand equivalents to International Accounting Standards (NZ IFRS) and other applicable Financial Reporting Standards and Interpretations as appropriate for a profit oriented entity. Compliance with NZ IFRS ensures compliance with International Financial Reporting Standards.

Basis of consolidation

The forecast financial statements include the parent entity together with its significant subsidiary New Zealand Permanent Trustees Limited and all other controlled subsidiaries. Consolidation entails a line-by-line aggregation of the individual entity financial statements and the elimination of intra-group balances and transactions including unrealised gains and losses. The financial statements of all subsidiaries are prepared for the same reporting year as those for Public Trust and Public Trust Group. Accounting policies used are consistent across all entities in the group or adjustments are made to ensure reporting complies with the accounting policies of 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.

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 statement of financial performance.

Financial instruments

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

- Financial assets at fair value through profit and loss.
- Financial assets comprising loan and receivables.
- Financial liabilities at fair value through profit and 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 derecognised when the group no longer retains the risks and rewards of ownership or 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 income derived from them. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument.

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 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 initially recognised at their fair value.

After initial recognition, gains and losses from subsequent re-measurement to fair value are recognised in the statement of financial performance except where the derivative is designated and is effective as a cash flow hedging instrument as described below.

That component of the change in fair value that relates to interest received or accrued in the current year is included in net interest income. The balance is included in other income.

Derivatives designated as hedging instruments – cash flow hedges

Derivatives, whose purpose is to match and modify the cash outflows arising from client liabilities at call as interest rates change, are designated as cash flow hedges. To the extent that individual hedges begin and remain hedge effective, changes in the fair value of the derivatives are recognised in the cash flow hedging reserve. The ineffective portion is recognised in the statement of financial performance.

When the hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or Public Trust 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 statement of financial performance when the hedged item is recognised in the statement of financial performance.

The cumulative gain or loss in the cash flow hedging reserve is progressively transferred to the statement of financial performance to match the income and expense flows of the hedged item.

Financial assets at fair value through profit and loss

A financial asset is designated at fair value through profit and 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 is managed, including performance evaluation, on a fair value basis.

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

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

Financial assets at fair value through profit and 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 and loss are carried at their fair values. 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, valuation techniques are used to establish 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 statement of financial performance except for those in relation to derivatives that qualify for hedge accounting, which are recognised in an equity reserve.

Any interest revenue is calculated using the effective interest rate method. Calculation of the effective interest rate includes all fees, transaction costs, premiums or discounts that form an integral part of the return on the underlying financial instrument.

Dividends are recognised when the shareholder's right to receive payment is established. This is usually the date the securities are declared to be "ex-dividend".

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.
- Trade receivables.
- Accrued income.
- Advances secured by mortgage.
- Advances to clients.

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. Impairment losses are taken into account in determining the estimated future cash flows.

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

Impairment

Loans and receivables are regularly reviewed for impairment, both individually and collectively in a group 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 statement of financial performance with a corresponding reduction in the carrying value of the financial instrument.

Trade receivables

The Crown receivable represents sums due, but not yet received, for services which the Crown pays Public Trust 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.

Liabilities at fair value through profit and loss

Liabilities at fair value through profit and loss are comprised solely of those derivatives in a loss position and not forming part of a qualifying offset agreement. These financial liabilities are recognised and measured in accordance with the policies adopted for derivatives.

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 statement of financial performance 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 and 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 statement of financial performance.

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 statement of financial performance.

Property, plant and equipment

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

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

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

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

A review of property, plant and 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 and equipment; otherwise it is classified as an intangible asset.

Impairment

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

After initial recognition, items of property, plant and equipment are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

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 acquired in a business combination

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.

Impairment

Goodwill is subject to an annual recoverable amount impairment test. Any impairment is expensed to the statement of financial performance 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 3 to 5 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.

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 statement of financial performance.

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 statement of financial performance.

Prepaid income

Public Trust 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

Public Trust 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 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.

Provisions for employee entitlements

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

Sick leave has been provided in respect to employees who have an accrued entitlement. This is carried at the cash amount necessary to settle the obligation.

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.

Other provisions

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 Public Trust's service delivery has been alleged or other contractual dispute has arisen, including some matters that may take a number of years to resolve.

Where Public Trust has a present obligation to settle such a matter or defend legal action, 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 other receivables when the reimbursement is virtually certain.

Expense

The expense relating to any provision is recognised in the statement of financial performance net of any expected reimbursement and separately from any interest expense arising from the discounting of provision obligations.

Leases

Leases entered into by Public Trust where substantially all the risks and rewards of ownership do not transfer to Public Trust are operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

Lease incentives

Any lease incentives are amortised over the estimated occupancy period and offset against lease expenditure in the statement of financial performance. 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 financial performance 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 in the financial statements. The 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/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.

The carrying amount of any deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 statement of financial performance.

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.

Fee and commission income

Fees

Fees from services are recognised in the statement of financial performance 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.

Crown Revenue

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 Public Trust. Operating activities also include net proceeds from investment securities and derivative financial instruments acquired specifically for resale. For the purpose of the statement of cash flows, these are referred to as trading investments.

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

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.

Commitments

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

Application of accounting standards

The following new standards, amendments to standards or interpretations have been issued but are not yet effective for the year ending 30 June 2009, and have not been applied in preparing these forecast financial statements:

NZ IAS 1 *Presentation of Financial Statements (revised):* effective for annual periods beginning on or after 1 January 2009.

NZ IAS 23 *Borrowing Costs (revised):* effective for annual periods beginning on or after 1 January 2009.

NZ IFRS 8 *Operating Segments*: effective for annual periods beginning on or after 1 January 2009.

The adoption of the above standards in future periods is expected to have a disclosure impact only. These standards will initially be applied in the financial statements for the year ending 30 June 2010.

Appendix C: Consultation and Reporting

Establishment of Public Trust subsidiaries

Public Trust will:

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

b. Consult the Stakeholding 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 Stakeholding 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, involve 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 Stakeholding 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 Stakeholding Ministers from time to time.

Exception

Advice to or consultation with the Stakeholding 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 Stakeholding 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 Stakeholding 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.

Quarterly reports will be prepared and presented to the Stakeholding Ministers and will provide provisional results. These reports will be provided at the end of the month following the quarter end.

A summary of the Business Plan of Public Trust and a draft Statement of Intent will be made available to the Stakeholding 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 Stakeholding Ministers, amend the Statement of Investment Policy and Objectives for the Common Fund.

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