Statement of Performance Expectations.

2019/20

publictrust.co.nz

Public Trust

Statement of authorisation

This Statement of Performance Expectations meets the requirements of the Crown Entities Act 2004 and reflects Public Trust's proposed performance targets and prospective financial information for the period 1 July 2019 to 30 June 2020. It should be read in conjunction with the Statement of Intent 2020–2023.

The purpose of the prospective financial statements is to facilitate Parliament's consideration of the planned performance of Public Trust. Use of this information for other purposes may not be appropriate. There is no intention to update the prospective financial statements subsequent to presentation.

The Public Trust Board is responsible for, and has deemed appropriate for issue, the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

On behalf of the Board of Public Trust:

Ian Fitzgerald
Chair
31 May 2019

Fiona Oliver
Deputy Chair
31 May 2019

Contents

Our principal objective

Public Trust has a long tradition of looking after the interests of New Zealanders – it's what we've been doing since we were established in 1873.

Our principal objective, as defined in the Public Trust Act 2001 is to operate as an effective business.

To this end we need to:

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

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

What we do for New Zealand

New Zealanders need to be better prepared and protected, and our ageing population needs more support. Our services help Kiwis protect what they have today, secure their future and play a part in building a stronger New Zealand.

Estate planning and management

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

- wills advice and drafting
- putting in place enduring powers of attorney that specify who can take care of a customer's personal or financial matters if they cannot
- advice on setting up and maintaining family, inheritance, prepaid funeral and charitable trusts.

Estate administration

We administer and manage immediately distributable and ongoing estates, carrying out the wishes of customers as set out in their wills to ensure assets are transferred to beneficiaries as smoothly and efficiently as possible. We are the largest estate administrator in the country, and it is our core business activity.

Executor Assist advisory service

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

Charities

We are one of New Zealand's largest charitable trust administrators and advisers. We help over 420 charities and have strong experience in charitable gifting and the establishment of charitable trusts and purposes. We manage lots of different asset types, including New Zealand's largest training farm, Smedley Station.

Personal Assist

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

Personal management services under the Protection of Personal and Property Rights Act

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

Services to tertiary education

We safeguard student fees on behalf of private training establishments through our Fee Protect service. This service protects students from losses outside of their control (for example, due to closure or insolvency of a course provider). We currently safeguard the course fees of over 35,000 students through this service.

Investment services for fiduciary customers

We provide investment management services to a range of customers ensuring they can access effective and appropriate advice. We offer an on-call deposit account to meet customers' short-term saving needs and an investment funds management service to meet customers' long-term investing needs.

Our Common Fund is subject to strict investment guidelines and contains money from trust accounts of fiduciary customers. As such, we take a conservative approach to managing our Common Fund investments, and all investment activity is governed by the Public Trust Investment Committee.

We aim to achieve best-in-class investment results for our clients after taking into consideration our clients' investment horizons and appetite for risk.

Positively impacting New Zealanders' lives

Under various statutes, we have specific responsibilities in relation to providing protective fiduciary services to New Zealanders. This includes estate management services or personal property management for customers with only a small amount of liquid assets. Public Trust also audits statements filed by private property managers under the Protection of Personal and Property Rights Act.
We receive funding from the Ministry of Justice for these services.

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

Corporate Trustee Services

Public Trust has a specialised corporate trustee team that supervises a number of New Zealand businesses to help ensure consumer and investor trust in the financial system.

Licensed under the Financial Markets Supervisors Act 2011, we supervise more than $90 billion – monitoring and protecting the collective interests of investors in KiwiSaver schemes, managed investment schemes, superannuation schemes and public debt issues – and act as a statutory supervisor for retirement villages.

We also act as corporate trustee in a number of structured finance, securitisation of assets and wholesale funds by holding assets in trust in accordance with trust deeds.

Public Trust also has a specialised custodial services team providing custody services for a range of clients including managed investment schemes, tax pooling agents, retirement villages and trusts.

Our role in protecting New Zealand's retirement savings

Public Trust currently supervises eight KiwiSaver scheme providers and 11 superannuation scheme providers with approximately $22.5 billion of assets under management.

Measuring our progress

We use a range of measures to assess our progress in achieving our strategic goals.

These measures have been selected to balance our priorities of enhancing our customers' experience and building a strong and enduring business that values its people.

Goal	What success looks like	Measure	2017/18 actual	2018/19 estimate	2019/20 forecast
To be relevant to every customer	Customer retention	Percentage of Public Trust customers retained each year	97%	97%	97%
	New customer growth in estate administration	Number of new estates administered per year	1,820	1,560	1,778
	Increase in Net Promoter Score	Year end Net Promoter Score	9	12	15
	Increase in number of website visits	Website visits each year	153,155	234,655	265,000
Positively impacting New Zealanders' lives	Number of customers helped under Ministry of Justice contract	Number of unique customers we've provided services for under the Ministry of Justice contract	4,939	3,600	3,600
	KiwiSaver assets under management	Annual growth percentage for KiwiSaver assets under management	23.8%	12.6%	8.0%
	Number of new wills and EPAs entered into each year	New business sales for wills and EPAs	6,363	6,500	7,410
Continue to invest in our people	Number of employees certified via our capability framework	Courses completed as a percentage of total enrolled courses	63.4%	46.5%	55%
	Reduction in Total Recordable Injury Frequency Rate	Total Recordable Injury Frequency Rate	3.0	2.7	2.4
Focus on financial strength	Revenue growth	Annual revenue growth percentage	6.2%	10.0%	7.7%
	Increase productivity	Productivity percentage - full year average	52%	60%	62%

Contribution to Crown outputs

Public Trust has one reportable output under section 149E(1)(a) of the Crown Entities Act, which contributes to the achievement of Ministry of Justice outcomes and is presented below. Other activity and related performance measures can be found in our Statement of Intent 2020-2023.

The reportable output is that the services provided to the Ministry of Justice by Public Trust align with the Crown's expected outcomes in relation to increased trust in the justice system and the provision of more responsive, accessible and cost-effective services.

Many of the services Public Trust provides contribute to this output, as we:

- provide access to trustee services that individuals are unable to obtain within their own means
- provide quality and responsive services, that meet the needs of these individuals.

Public Trust and the Crown (acting through the Minister of Justice) have a services agreement under which the Crown purchases a range of non-commercial protective fiduciary services.

Under the agreement, certain non-commercial services are paid for by the Crown to ensure that, among other things, reasons of affordability do not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs.

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

Measuring our performance

The services agreement specifies the value of the services we provide, and this is monitored through regular reporting to the Ministry of Justice.

The quality and impact of the services we provide and their contribution to justice sector outcomes are measured as below.

Outcome	Measure
Provide access to trustee services that individuals are unable to obtain within their own means	Public Trust's Contact Centre is available 95% of the time between 8.00am and 5.30pm, Monday to Friday. Online resources available with less than 40 hours down time per annum. Nationwide network of customer centres available during business hours.
Provide quality and responsive/ timely services	Customer satisfaction rating (as measured through an independent survey). To achieve a Net Promoter Score (NPS) of 15. 80% of complaints are closed within 30 days, and less than 5% of complaints are referred to an external dispute resolution provider.
Provide trustee services to more New Zealanders	To grow probate market share (estates includes Executor Assist) to 12%.

Services agreement

The non-commercial services to be provided by Public Trust under the services agreement are classified below. These services provided by Public Trust align with the Crown's expected outcomes in relation to increased trust in the justice system and the provision of more responsive, accessible and cost effective services.

Providing Protection of Personal and Property Rights Act 1988 administration, audit and advice services to incapacitated persons, either as property manager or property attorney under an enduring power of attorney.

Measure	2017/18 actual	2018/19 estimate	2019/20 forecast
Hours to manage and advise individuals under the Protection of Personal Property Rights Act	6,291	7,950	8,000

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

Measure	2017/18 actual	2018/19 estimate	2019/20 forecast
Hours to manage and advise on small estates and trusts	3,620	4,500	4,500

The examination of statements filed in court by any manager who is not a trustee corporation under section 46 of the Protection of Personal Property Rights Act 1988.

Measure	2017/18 actual	2018/19 estimate	2019/20 forecast
Hours taken to examine statements	3,211	4,000	4,000

Revenues and expenses

Expected revenue 2019/20: $2.6 million (GST exclusive).

Proposed expenses 2019/20: $3.1 million (GST exclusive).

The maximum potential revenue under the agreement is $2.627 million.

Public Trust will report the costs of providing services to customers that are in excess of the funding received under the agreement as a social dividend to the Crown.

Common Fund reporting

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

Value at risk

Value at risk (VaR) is a statistical measure of the risk of loss in an investment portfolio given normal market conditions over a defined period of time within a given probability/confidence level. In other words, VaR defines the maximum level of acceptable loss for a portfolio given normal market conditions over a given time period.

VaR is an estimate of the risk of a loss within a portfolio. By setting VaR measures, portfolio managers keep the risk of loss within agreed levels.

Measure	2018/19 estimate	2019/20 forecast
Common Fund VaR at 95% confidence level over a 12-month period, measured quarterly	VaR will not exceed 0.4%	VaR will not exceed 0.4%

The Common Fund VaR measure of 0.4% at 95% confidence is the same as stating that Public Trust is 95% confident that losses in the Common Fund will not exceed 0.4% of the fund value over a 12-month period.

Liquidity test

A liquidity test measures the proportion of liquid assets relative to the total value of an investment portfolio. An asset is considered to be liquid if it can be quickly converted into cash at a price close to its fair market value. The Common Fund must maintain an appropriate level of liquid assets to ensure that it can meet its clients' funding requirements.

Measure	2018/19 estimate	2019/20 forecast
Percentage of Common Fund assets that can be liquidated within 100 days, measured monthly	At least 33% (by dollar value) of Common Fund assets can be liquidated within 100 days	At least 33% (by dollar value) of Common Fund assets can be liquidated within 100 days

Prospective consolidated statement of financial position

as at 30 June

	Forecast 2019 ($000)	Plan 2020 ($000)
Assets		
Cash and cash equivalents	18,007	18,640
Investment securities	312,138	296,217
Advances to clients	2,592	2,541
Trade receivables and work in progress	11,688	11,723
Total financial assets	**344,425**	**329,121**
Sundry receivables and prepayments	837	837
Property, plant and equipment	3,910	4,285
Intangible assets	25,299	23,437
Deferred tax asset	9,663	9,663
Total assets	**384,134**	**367,343**
Liabilities		
Liabilities to clients – at call or short term	309,000	286,000
Liabilities to clients – term deposits	52	14
Prepaid estate administration	255	237
Total liabilities to clients	**309,307**	**286,251**
Trade payables	1,057	1,173
Other payables	538	538
Derivative financial instruments	118	118
Employee benefits	4,093	4,211
Provisions	2,364	2,411
Total liabilities	**317,477**	**294,702**
Equity		
Contributed equity	90,174	90,174
Retained earnings	(23,517)	(17,533)
Total equity	**66,657**	**72,641**
Total liabilities plus equity	**384,134**	**367,343**

Prospective consolidated statement of changes in equity

for the period 1 July 2018 to 30 June 2020

	Forecast 2019 ($000)	Plan 2020 ($000)
Equity at the start of the year	61,856	66,657
Comprehensive income		
Other comprehensive income		
Profit after tax	4,801	5,984
Total comprehensive income	**4,801**	**5,984**
Equity at the end of the year	**66,657**	**72,641**

Prospective consolidated statement of profit or loss and other comprehensive income

for the period 1 July 2018 to 30 June 2020

	Forecast 2019 ($000)	Plan 2020 ($000)
Revenue		
Revenue from financial instruments		
Interest from interest-bearing securities	9,312	7,916
Less: Interest expense	(1,056)	(947)
	8,256	6,969
Fees and commission revenue	53,591	59,845
Revenue from the Crown	2,627	2,627
Total revenue	**64,474**	**69,441**
Expenses		
Employee benefits	37,280	40,334
Lease costs	3,105	3,300
Depreciation	996	1,127
Amortisation of intangible assets	3,099	3,514
Other expenses	15,193	15,182
Total expenses	**59,673**	**63,457**
Profit before tax for the year	4,801	5,984
Tax benefit	-	-
Profit after tax for the year	**4,801**	**5,984**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Total comprehensive income for the year	**4,801**	**5,984**

Prospective consolidated statement of cash flows

for the period 1 July 2018 to 30 June 2020

	Forecast 2019 ($000)	Plan 2020 ($000)
Cash flows from operating activities		
Fees and other revenue	57,813	64,051
Interest revenue	8,931	8,162
Payments to suppliers and employees	(59,011)	(62,377)
Interest paid	(1,216)	(1,078)
Net GST	(214)	(214)
Net cash flows from operating activities	**6,303**	**8,544**
Cash flows from investing activities		
Net flows from non-trading investments	45,956	17,337
Purchase of property, plant and equipment	(1,402)	(1,423)
Purchase of intangible assets	(1,206)	(1,224)
Net cash flows from investing activities	**43,348**	**14,690**
Cash flows from financing activities		
Net payments to clients	(59,322)	(22,601)
Net cash flows from financing activities	**(59,322)**	**(22,601)**
Net increase in cash and cash equivalents	**(9,671)**	**633**
Cash and cash equivalents at the beginning of the year	27,678	18,007
Cash and cash equivalents at the end of the year	**18,007**	**18,640**

Notes to the prospective consolidated financial statements

1 General information

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

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

2 Basis of preparation

These prospective financial statements are for the year ending 30 June 2020. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as it relates to prospective financial statements. They comply with New Zealand Financial Reporting Standard 42 Prospective Financial Statements.

Actual results may vary from the information presented, and the variations may be material.

Measurement basis

The prospective financial statements have been prepared on a historical cost basis except for derivatives, which have been measured at fair value.

Functional and presentation currency

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

Use of judgements and estimates

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

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

Doubtful debts and work in progress

Impairment analysis is performed regularly for debtors and work in progress (WIP) assets. Impairment assessments are based on the aged profile of the debt or WIP entries, historical trends of recoverability by age and service type and review of clients' ability to pay expected or outstanding fees.

Taxes

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

Intangible assets

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

Provisions

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

Significant assumptions

The prospective financial statements have been prepared on the basis of assumptions as to the future market environment and events that Public Trust reasonably expects to occur, associated with the actions that Public Trust reasonably expects to take, as at the date that this information was prepared.

The statements are based on the following significant assumptions listed in order of importance in relation to their impact on the financial statements:

1. The 2019 forecast data includes actuals to February 2019 and 4 months of forecast.
2. Revenue growth in Retail comes from revenue management and focus on improving our customer experience.
3. FY20 will see continued growth in our Retail business while we maintain focus on delivering well managed Corporate Trustee Services and Investments.

4. Revenue growth will occur for corporate trustee services, driven by customer retention (exiting low-value customers) and growth in funds under supervision.
5. Customer investment services revenue is declining with a drop in Common Fund balances as Retail improves its operational efficiency.
6. Operating costs will increase by wage/salary increases, general inflation, investment in improving our customer experience and non-discretionary property and technology costs.
7. The 2018 to 2020 services agreement between the Ministry of Justice and Public Trust dated 6 July 2018 is in place.
8. Claims for failure of service delivery will continue at low levels. Provisions or contingent liabilities are forecast on best estimates and are an area of uncertainty.
9. The investment portfolio will be operated within approved asset allocations and risk policies.

3 Accounting policies

New and amended financial reporting standards and interpretations

For the year ending 30 June 2019, the Group will apply NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 9 Financial Instruments for the first time, together with certain amendments to standards. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NZ IFRS 15 Revenue from Contracts with Customers will supersede all current revenue recognition requirements under NZ IFRS. NZ IFRS 15 provides a principles-based five-step model that will be applicable to all contracts with customers. The core principle of NZ IFRS 15 is that an entity shall recognise revenue that represents the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. Under NZ IFRS 15, the entity recognises revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

NZ IFRS 9 Financial Instruments introduces new requirements for classification, measurement and impairment of financial instruments and hedge accounting.

The impact on the financial statements of the adoption of these new accounting standards and the amendments to existing standards is considered to be immaterial.

NZ IFRS 16 Leases is a new standard that is not yet effective for the year ending 30 June 2019. The Group plans to adopt the new standard from 1 July 2019. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a right-of use asset for all lease contracts unless the lease term is 12 months or less or the underlying asset has a low value. The Group will continue to assess the potential effect of NZ IFRS 16 on its consolidated financial statements. For comparative purposes, the impact of NZ IFRS 16 has been excluded from the prospective financial statements.

There are no other new or amended standards and interpretations that are issued but not yet effective that would be expected to have a material impact on the Group's financial statements.

Basis of consolidation

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

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

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

Financial instruments

All financial assets are recognised initially at fair value plus, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs.

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

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

Financial instruments classified at fair value through profit or loss comprise derivative financial instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are carried at their fair value with net changes in fair value recognised in profit or loss, with the exception of gains and losses on derivative financial instruments, which are designated and effective as cash flow hedges.

The Group uses derivative financial instruments, such as interest rate swaps, to manage exposures to interest rate risk. Some of these hedged managed exposures qualify for hedge accounting.

(ii) Financial assets at amortised cost

Financial assets in this category include:

- cash and cash equivalents
- investment securities: term deposits
- advances to clients
- trade receivables and work in progress.

Cash and cash equivalents include cash on hand, cash at bank (including any overdraft), money market deposits on call and other short-term highly liquid investments with original maturities of 3 months or less. Cash and cash equivalents are recognised at their cash settlement value.

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

Financial assets at amortised cost are regularly reviewed for impairment, both individually and collectively in groups of financial assets with similar risk profiles. An impairment loss is recognised when there is objective evidence that future cash flows from the asset will decline from the previous expected levels. The amount of any impairment is measured as the difference between the asset's carrying value and the present value of the re-estimated cash flows, discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss with a corresponding reduction in the carrying value of the financial asset through an impairment allowance account.

(iii) Financial liabilities at fair value through profit or loss

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

(iv) Financial liabilities at amortised cost

Financial liabilities in this category include:

- liabilities to clients
- employee benefits
- trade and other payables.

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

Foreign currency transactions

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

Intangible assets: IT assets and development costs

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

Costs incurred in developing internally generated software are recognised where the software qualifies for recognition as an intangible asset. Costs are accumulated as capital work in progress until the intangible IT asset is in a functional condition. They are then capitalised and amortised over the asset's estimated useful life of 3–10 years using the straight-line method.

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

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

Impairment of intangible assets other than goodwill

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

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

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

Impairment of goodwill

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

Goodwill has been allocated to the Corporate Trustee Services CGU. Impairment testing is done using a discounted cash flows model.

Employee benefits

Annual leave

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

Long-service leave

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

Leases

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Any lease incentives are amortised over the estimated occupancy periods and offset against lease expenditure in profit or loss. The estimated occupancy period is based on the contractual terms of the lease and is reviewed annually.

Taxes

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

Current tax

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

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, together with any future income tax benefits arising from unutilised tax losses in the financial statements.

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

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

Goods and services tax

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

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

Receivables and payables are recognised inclusive of any applicable GST.

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

Revenue

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for services provided. Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Fees

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

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.

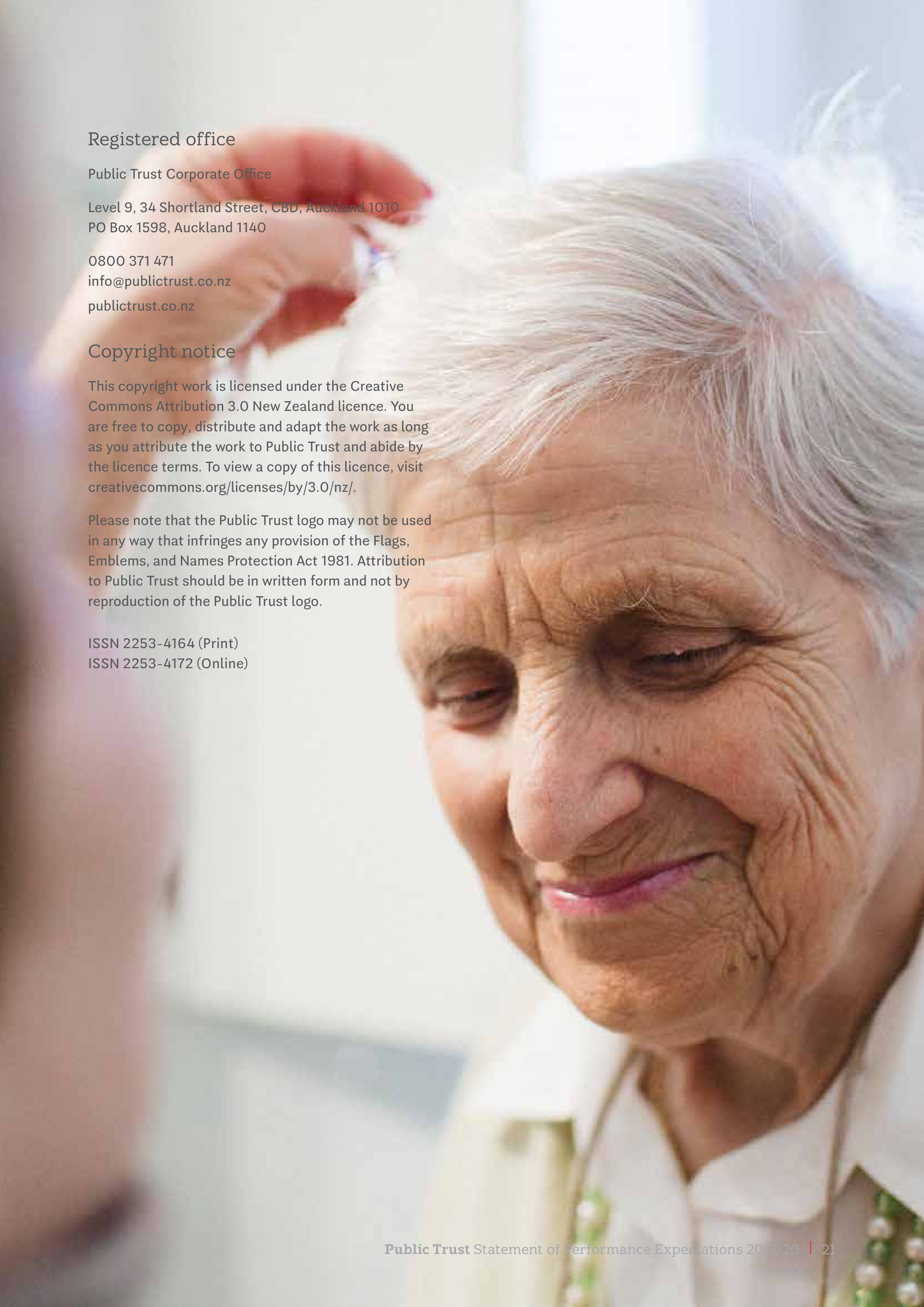
Presentation of cash flows

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

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

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

Net cash flows from financing activities are substantially comprised of movements in liabilities to clients – at call or short term in the statement of financial position.



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