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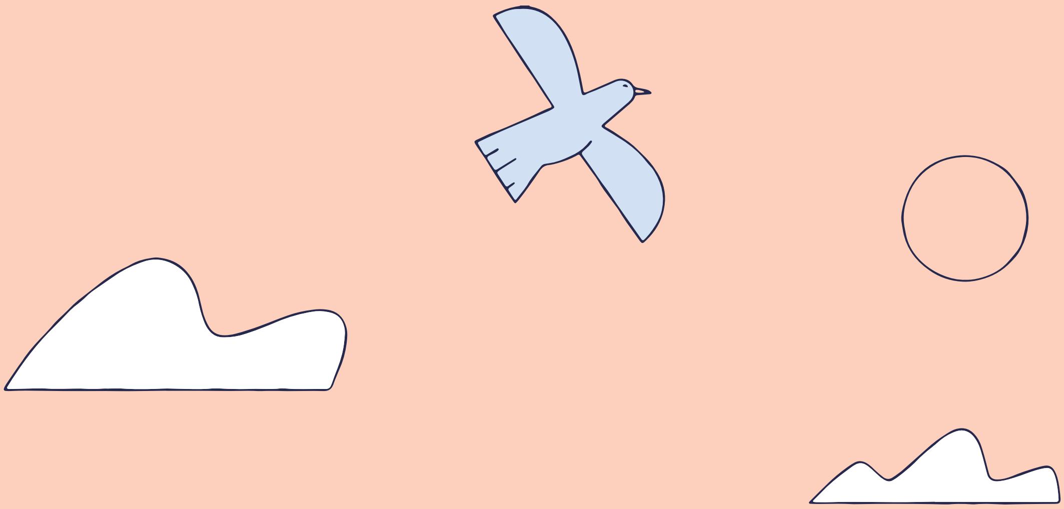
Statement of Performance Expectations

2024/25

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 2024 to 30 June 2025. It should be read in conjunction with the Statement of Intent 2024-27. The purpose of the prospective consolidated 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 consolidated financial statements subsequent to presentation. The Public Trust Board is responsible for and has deemed appropriate for issue the prospective consolidated financial statements presented, including the appropriateness of the assumptions underlying the prospective consolidated financial statements and all other required disclosures.

On behalf of the Board of Public Trust:

Ian Fitzgerald
Chair
30 June 2024

John Duncan
Deputy Chair
30 June 2024

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Introduction

Public Trust is New Zealand's largest provider of trustee and estate administration services.

We employ over 400 people across our national network of customer centres and corporate offices.

At some point in life, every New Zealander may need one of our offerings, and we want to ensure we are there for them when they need us most.

Our unique role is to empower all New Zealanders to build and protect their legacies. To achieve this, we are focused on delivering products and services that are compelling, relevant and accessible to all Kiwi.

Public Trust provides trustee and comprehensive estate administration services for individuals through our Retail business, and corporate trustee, supervisory and custodial services through our Corporate Trustee Services business. We also have an important part to play in the charitable trust sector.

Established 150 years ago, Public Trust is a self-funding autonomous Crown entity governed by the Public Trust Act 2001 and Crown Entities Act 2004. Our Board of Directors is appointed by the Minister of Justice. The Chief Executive has responsibility for the day-to-day management of the business.

While our main objective as defined in our Act is to operate as an effective business, we also have clear obligations to care for New Zealanders and care for our people.

Our Act sets out that we must:

- 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.

Today, New Zealand faces an ageing population, increasing rates of dementia, changing family structures and trends in intergenerational wealth transfer. As the world around us becomes increasingly complex, the demand for our services demonstrates our essential role is needed more than ever.

What we do

Our work is focused on encouraging and educating the New Zealand public to take control of planning for their future. This reduces cost and complexity for their families and the wider legislative system.

Through our national network of customer centres, and our contact centre and website, we deliver day-to-day estate planning and trustee services to the general public. We also provide a broad range of services that draw on our specialist expertise, including managing charitable trusts, supervising KiwiSaver scheme providers and protecting student fees.

Estate planning and management

New Zealanders turn to Public Trust to put their estate plans in place. We work with our customers to ensure they remain relevant and up to date over their lifetime.

Estate planning includes helping customers with:

> Wills: A legal document that sets out wishes regarding the care of children, funeral arrangements as well as how to distribute assets or special items after their death.

> Enduring Powers of Attorney: A legal document appointing an attorney to step in to manage financial and property affairs or personal care if they can’t.

> Trusts: A legal arrangement to protect the assets, and future assets, of their whānau.

Estate administration

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

Executor Assist advisory service

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

Personal Assist

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

Services under the Protection of Personal and Property Rights Act

We are entrusted to look after the financial affairs of New Zealanders who risk being unable to access services from the commercial market and or where there is a higher duty of care needed that cannot be met by the market.

We provide personal management services for vulnerable New Zealanders 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. Public Trust also audits statements filed by private property managers under the Protection of Personal and Property Rights Act 1988.

Services funded by the Ministry of Justice

Public Trust receives funding from the Ministry of Justice to provide protective fiduciary services to New Zealanders who need our services but cannot afford commercial pricing. These services include Personal Assist and personal property management services.

Trustee of last resort

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

Charities

A charitable trust holds and protects assets for charitable purposes, so people can leave a lasting legacy.

We are one of New Zealand's largest charitable trust administrators and advisers. We help over 480 charities and work to make sure a benefactor's intentions are carried out for the life of their charitable trust. We take care of registration, reporting, gifting, legal, accounting and taxation, making sure assets are invested to provide lasting benefits.

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

Services to tertiary education

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

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

Investment services for fiduciary customers

We provide investment management services to our fiduciary customers, designed to help meet their current and future needs. Our products aim to provide sustainable, risk-adjusted investment returns and appropriate income streams. We invest funds on behalf of our fiduciary customers, including our charitable trusts, in either our Common Fund or our Public Trust Investment Services.

Our Common Fund (around $300 million as at 31 March 2024) is used primarily for Retail customers requiring shorter term liquidity and for our Fee Protect Customers. Deposits held in our Common Fund are government guaranteed.

In addition, we have around $1 billion funds under management in our Public Trust Investment Services (as at 31 March 2024). These funds comprise assets we manage on behalf of clients with longer-term investment needs, which includes the charities Public Trust administers. Public Trust Investment Services funds are managed within a well-defined investment policy and governance framework.

Corporate Trustee Services

Public Trust has a specialised corporate trustee team who supervise a number of New Zealand financial services businesses to help ensure consumer and investor trust in the financial system is maintained.

We are licensed by the Financial Management Authority, under the Financial Markets Supervisors Act 2011 to oversee and provide guidance to our clients, ensuring that they meet the standards expected of them and that investors' interests are protected.

Our Corporate Trustee Services team provide specialist services including:

- Supervision of regulated investment schemes and trusteeship of unregulated schemes e.g. wholesale schemes.
- Supervision of KiwiSaver schemes, including four of the six default providers.
- Custodial services, we hold listed and unlisted securities in safekeeping and are responsible for all associated cash and security transactions along with all reporting and tax obligations on our clients' assets.
- Statutory supervision of retirement villages, monitoring compliance with obligations, including the financial position of villages and the security of residents' interests.
- Structured finance transactions, covering debt issues and securitisations.

Measuring our progress

We recognise our success as a business is intrinsically linked to the people we employ and the customers and communities we serve. To ensure a sustainable business, we will continue to evolve our services to better meet their needs and build capability for the future.

We use a range of measures to assess our progress against delivering our strategic goals. These measures have been selected to balance our objectives of serving our customers and communities, delivering financial growth and being a good employer.

Reporting against these performance measures will be included in our Annual Report.

Objectives	What success looks like	Measure	2022/23 actual	2023/2024 forecast	2024/2025 plan
Serving our customers and communities	Our products and services are compelling, relevant and accessible to all New Zealanders and we empower them to build and protect their legacies	New business sales for wills and EPAs	12,398	11,999	12,618
		New business sales for wills and EPAs completed online compared to total sales	69%	72%	74%
		Number of new estates administered each year	1,542	1,420	1,376
		Net Promoter Score	28.7	34.5	35.0
		KiwiSaver hardship applications processed within two business days	93.9%	97.0%	95.0%
Being a good employer	Our culture of care ensures our people are highly engaged, healthy, safe and well	Total Recordable Injury Frequency Rate	1.48	1.71	1.71
Delivering financial growth	We deliver a strong financial performance which enables us to return a dividend to our owner and continue to reinvest in our business to drive better outcomes for the customers we serve	Cost to income ratio	97.3%	91.3%	90.8%
		Return on equity	1.97%	6.34%	6.77%

Contribution to Crown outputs

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

Providing these services helps advance the Crown's objective to protect the most vulnerable members of our society.

The outputs arising from this contract are intended to enable access to fiduciary services for New Zealanders who are either vulnerable or unable to obtain these services within their own means.

How performance will be assessed

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

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

Details of Public Trust's actual, forecast and plan results are shown on the next page.

			2022/23 actual		2023/2024 forecast		2024/2025 plan	
Service	**Measure**	**Client asset pool**[1]	**No. of clients**	**Hours**	**No. of clients**	**Hours**	**No. of clients**	**Hours**
Providing services to incapacitated persons under the Protection of Personal and Property Rights Act 1988 or under Public Trust agencies	Number of clients served and hours to manage and advise under the Protection of Personal and Property Rights Act 1988	$0-$20k	529	9,162	704	10,333	419	6,473
		$20k-$50k	106	1,160	123	1,715		
		Subtotal	**635**	**10,322**	**827**	**12,048**	**419**	**6,473**
Administration of estates and trusts[2]	Number of clients served and hours administering	$0-$20k	592	1,179	468	1,162	0	0
Examination of statements filed in court by any manager who is not a trustee corporation under section 46 of the Protection of Personal and Property Rights Act 1988[2]	Number of clients served, and hours taken to examine statements	$0-$20k	1,041	2,732	1,199	3,232	0	0
		$20k-$50k	1,520	4,960	2,200	7,062	0	0

1 Client asset pool thresholds for financial year 2024/2025 are still to be agreed with the Ministry of Justice

2 In financial year 2024/2025 this service will not be funded under our contract with the Ministry of Justice

The cost of providing services to qualifying customers for financial year 2023/2024 will exceed the funding received under the agreement. In February 2024, in anticipation that growing demand would exceed the funding received, Public Trust provisioned $950,000 to ensure continued services for vulnerable New Zealanders. Public Trust has continued to deliver these services, in excess of the funding received.

Funding for financial year 2024/2025 will be reduced to $1.984 million, from $3.617 million in financial year 2023/2024. This means that only services to incapacitated persons under the Protection of Personal and Property Rights Act 1988 or under Public Trust agencies will be funded. As of 30 June 2024, Public Trust has not finalised negotiations with the Ministry of Justice for delivery of non-commercial fiduciary services in financial year 2024/2025. This means that client eligibility levels and transition arrangements for customers are also yet to be agreed. Once finalised, Public Trust will make these details available.

The Budget 2024 notes indicated that Public Trust would spend 11,000 hours on delivering services to incapacitated New Zealanders under the Protection of Personal Property Rights Act. At reduced funding of $1.984 million, this is forecasted to be 6,473 hours in financial year 2024/2025. This is reflected in the above 2024/2025 plan.

Revenue and expenses

In financial year 2024/2025, the Crown reduced funding for services which will mean some services are no longer funded. Client eligibility criteria and transition arrangements are still being agreed with the Ministry of Justice.

- **Expected revenue 2024/2025**: $1.984 million (GST exclusive).
- **Proposed expenses 2024/2025:** $1.984 million (GST exclusive) – proposed expenses include only the direct costs incurred to deliver these services.
- **Maximum potential revenue 2024/2025:** The maximum potential revenue under the agreement is $1.984 million.

Public Trust will report the cost of providing services to qualifying customers that are more than funding received under the agreement.

Common Fund reporting

Public Trust's Common Fund contains fiduciary customers' money and is guaranteed by the New Zealand Government. The Common Fund is invested in the manner provided by the Trusts Act 2019 and Public Trust Act 2001.

Investments made from the Common Fund are not made on account of, and do not belong to, any particular estate and are subject to strict investment guidelines to ensure a conservative risk-return profile is maintained.

The primary measures used to monitor the risk exposure of the investments made from the Common Fund are credit quality, issuer concentration ratio and the liquidity test. Value at risk, previously used as a primary measure, has been augmented by additional measures being credit quality and issuer concentration ratio. These are considered more relevant measures to better reflect the risk associated with the investments and the day-to-day controls in place in managing the Common Fund. These are a subset of, and in alignment with, controls in the Common Fund's Statement of Investment Policy and Objectives, which sets out the fund's governance, strategy, investment approach, constraints, and risk management policies.

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 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 period of time.

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

Measure	2022/23 actual	2023/24 forecast	2024/25 plan
VaR, excluding term deposits, measure of 0.4% at 95% confidence level[1]	0.26% monthly average	0.28% monthly average, with no month exceeding 0.4%	VaR will not exceed 0.4%

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

Credit quality

Credit quality assesses the creditworthiness or default risk of the investments made from the Common Fund and is based on published external credit ratings.

Measure	2022/23 actual	2023/24 forecast	2024/25 plan
Aggregate percentage of investments held with a long-term S&P-equivalent credit rating between BBB and A-, measured monthly, must not exceed 20%, and none may be held with a long-term S&P-equivalent credit rating of BBB- or lower.	BBB to A-: 5.4%, monthly average BBB- or lower: 0%	BBB to A-: 7.6%, monthly average BBB- or lower: 0%	Aggregate value of investments held with a long-term S&P-equivalent credit rating of BBB to A-: will not exceed 20% of the total investments, and none rated with a long-term S&P-equivalent credit rating of BBB- or lower.

Issuer concentration ratio

The issuer concentration ratio offers a measure of market concentration within the portfolio of investments made from the Common Fund and indicates the exposure of the investments to non-bank issuers (other than NZ Government and the New Zealand Local Government Funding Agency (LGFA)).

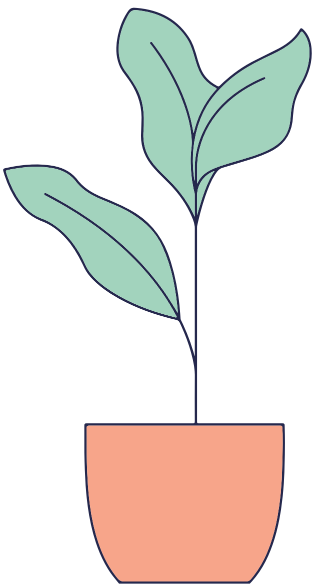
Measure	2022/23 actual	2023/24 forecast	2024/25 plan
Credit exposure* to a single non-bank issuer (other than government, LGFA) must not exceed 4% of total investments, measured monthly	Credit exposure did not exceed 4%	Credit exposure will not exceed 4%	Credit exposure will not exceed 4%

* Credit exposure is the market value of all investments held with a single non-bank issuer (e.g., non-bank issuer of commercial paper, floating rate note, or corporate bond, other than those issued by the New Zealand Government and LGFA) as a percentage of the total market value of all investments held.

Liquidity test

A liquidity test measures the proportion of liquid assets relative to the total value of an investment portfolio. An asset is considered liquid if it can be quickly converted into cash. An appropriate level of liquid assets must be maintained to ensure that the funding requirements of the fiduciary customers are met.

Measure	2022/23 actual	2023/24 forecast	2024/25 plan
Percentage of total investments (by dollar value) that can be liquidated within 100 days, measured monthly	51.1% monthly average, with no month below 33%	56.01% monthly average, with no month below 33%	At least 33% (by dollar value) of total investments can be liquidated within 100 days



Prospective consolidated statement of financial position

as at 30 June

	Forecast 2024 ($000)	Plan 2025 ($000)
Assets		
Cash and cash equivalents	22,996	20,955
Investment securities	317,945	349,411
Trade and other receivables	5,088	5,117
Advances to clients	3,785	3,979
Total financial assets	**349,814**	**379,462**
Contract assets	10,491	11,157
Other assets	723	752
Property, plant and equipment	3,770	3,729
Right-of-use assets	15,894	13,545
Intangible assets	15,280	18,077
Deferred tax asset	7,261	4,596
Total assets	**403,233**	**431,318**
Liabilities		
Liabilities to clients	298,032	322,388
Trade payables	2,559	2,462
Other liabilities	731	739
Employee benefits	5,276	5,795
Provisions	1,954	1,839
Contract liabilities	174	159
Lease liabilities	16,953	14,747
Total liabilities	**325,679**	**348,129**
Equity		
Contributed equity	90,174	90,174
Accumulated losses	(12,620)	(6,985)
Total equity	**77,554**	**83,189**
Total liabilities and equity	**403,233**	**431,318**

Prospective consolidated statement of changes in equity
for the period 1 July 2023 to 30 June 2025

	Forecast 2024 ($000)	Plan 2025 ($000)
Equity at the start of the year	**72,639**	**77,554**
Profit after tax for the year	4,915	5,635
Total comprehensive income for the year	**4,915**	**5,635**
Equity at the end of the year	**77,554**	**83,189**

Prospective consolidated statement of total comprehensive income
for the period 1 July 2023 to 30 June 2025

	Forecast 2024 ($000)	Plan 2025 ($000)
Revenue		
Interest from investment securities	17,956	18,022
Interest from advances to clients	232	237
Less: Interest paid to customers	(5,472)	(5,869)
	12,716	**12,390**
Revenue from contracts with customers	70,276	77,462
Net revenue	**82,992**	**89,852**
Expenses		
Employee benefits	(51,416)	(55,428)
Amortisation of intangible assets	(4,358)	(4,203)
Depreciation	(3,225)	(3,603)
Operating lease costs	(563)	(303)
Other expenses	(15,831)	(17,710)
Total operating expenses	**(75,393)**	**(81,247)**
Finance costs	(345)	(305)
Net losses from investment securities	(9)	-
Profit before tax for the year	**7,245**	**8,300**
Income tax expense	(2,330)	(2,665)
Profit after tax for the year	**4,915**	**5,635**
Total comprehensive income for the year	**4,915**	**5,635**

Prospective consolidated statement of cash flows

for the period 1 July 2023 to 30 June 2025

	Forecast 2024 ($000)	Plan 2025 ($000)
Cash flows from operating activities		
Receipts from customers	69,804	76,752
Interest received from investment securities	18,188	18,259
Payments to suppliers and employees	(69,008)	(73,155)
Interest paid to customers	(5,472)	(5,869)
Payment of interest portion of lease liabilities	(345)	(305)
Net cash flows generated from operating activities	**13,167**	**15,682**
Cash flows from investing activities		
Net flows from investment securities	(48,868)	(31,660)
Purchase of property, plant and equipment	(1,901)	(1,200)
Purchase of intangible assets	(3,000)	(7,000)
Net cash flows used in investing activities	**(53,769)**	**(39,860)**
Cash flows from financing activities		
Net receipts from customers	39,657	24,356
Payment of principal portion of lease liabilities	(2,314)	(2,219)
Net cash flows generated from financing activities	**37,343**	**22,137**
Net decrease in cash and cash equivalents	**(3,259)**	**(2,041)**
Cash and cash equivalents at the beginning of the year	26,255	22,996
Cash and cash equivalents at the end of the year	**22,996**	**20,955**

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.

2 | Basis of preparation

The prospective consolidated financial statements of the Group have been prepared on a historical cost basis 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 (NZ FRS 42) Prospective Financial Statements.

The prospective consolidated financial statements are presented in New Zealand Dollars and all values are rounded to the nearest thousand ($000), except when otherwise stated.

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

3 | Basis of consolidation

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

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.

Subsidiaries are consolidated from the date on which control commences until the date control ceases. When the Group loses control over a subsidiary, it derecognises the related assets and liabilities and any other components of equity. Any interest in the former subsidiary is measured at fair value when control is lost.

4 | Summary of accounting policies

Financial instruments

Classification

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

Initial recognition and measurement

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

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

(a) Financial assets at amortised cost

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

Financial assets in this category include:

> cash and cash equivalents

> investment securities

> trade and other receivables

> advances to clients.

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

Financial assets at amortised cost are regularly reviewed for impairment under either the simplified approach applicable to trade receivables or under the general approach applicable to all other financial assets.

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

(b) Financial liabilities at amortised cost

Financial liabilities in this category include:

- liabilities to clients
- trade and other payables
- lease liabilities.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements (aligned to expected life of the lease)	4-12 years
Furniture and fittings	3-10 years
IT hardware	2-5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Intangible assets

Goodwill

Goodwil represents the excess of the consideration transferred and the fair value net of identifiable assets acquired and liabilities assumed. Goodwill is subsequently carried at cost less any accumulated impairment losses.

Goodwill is assessed as having an indefinite useful life and is not amortised. Instead, it is subject to impairment testing using a discounted cash flow model at each reporting period or whenever there are indications of impairment. Any impairment is recognised in profit or loss as a permanent reduction in the carrying value and is not subsequently reversed.

The total carrying amount of goodwill has been allocated to the Corporate Trustee Services cash generating unit, being the lowest level of asset group for which there are separately identifiable cash inflows.

Information technology (IT) assets and development costs

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

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

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

Liabilities to clients

Public Trust holds some of the monies it is responsible for on behalf of its fiduciary customers within the Common Fund. These client deposits, which are available at call, are recognised as liabilities to clients in the prospective consolidated statement of financial position. The capital and interest of liabilities to clients in the Common Fund is Crown guaranteed. The guarantee on capital for those deposits is provided by section 52 of the 2001 Act and is not time limited. The interest on client deposits is covered by the Crown guarantee provided under section 65ZD of the Public Finance Act 1989.

Interest payable to customers whose money constitutes the Common Fund is recognised in profit or loss, calculated on the daily balances and paid at a rate and at intervals determined by Public Trust in accordance with the 2001 Act.

Employee benefits

Employee benefits mainly comprise of salaries, KiwiSaver and Government Superannuation Fund contributions, annual leave, sick leave and long service leave.

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

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

Provisions

The Group has recognised provisions for liabilities of uncertain timing or amount including those for make good, onerous contracts, remedial work and litigation and restructuring.

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

Onerous contracts

The onerous contracts provision relates to existing office lease contracts and is measured at the present value of the least net cost of exiting the contracts which is the lower of the costs of fulfilling the contracts and any compensation or penalties arising from the failure to fulfil the contracts. The cost of fulfilling the contracts comprises the costs that relate directly to the contracts (i.e. both incremental costs and an allocation of costs directly related to contract activities).

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

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

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

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

Leases

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

On initial recognition, lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the Group's incremental borrowing rate, being the Treasury risk-free discount rate (to serve as the risk-free interest rate), adjusted for the Group's credit risk and entity-specific margin.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on lease liabilities (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term changes, the future lease payments change or a lease contract is modified and the lease modification is not accounted for as a separate lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of the corresponding initial lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Revenue from contracts with customers

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

Revenue from contracts with customers is recognised over time as the customer simultaneously receives and consumes the benefits of the services provided to them.

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

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

Fees revenue

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

Variable consideration

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

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

Taxes

Income tax comprises current tax and deferred tax.

Current tax

Current tax is income tax assessed on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date. Taxable profit differs from profit before tax reported in the prospective consolidated statement of total comprehensive income as it excludes items of income and expense that are taxable or deductible in other years, and also excludes items that will never be taxable or deductible.

Deferred tax

Deferred tax is provided using the liability method on:

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

Deferred tax assets and liabilities are offset on the prospective consolidated statement of financial position where there is a legal enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

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 prospective consolidated statement of financial position.

Impairment of assets

The Group reviews the recoverable amount of assets other than goodwill and other financial assets at the end of each reporting period. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If the carrying value of the asset exceeds the recoverable amount, an impairment loss is 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.

Presentation of cash flows

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

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

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

Net cash flows from financing activities are substantially comprised of:

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

5 | Changes in accounting policies

(a) New standards, interpretations and amendments adopted from 1 July 2023

Disclosure of Accounting Policies – Amendments to NZ IAS1 and IFRS Practice Statement 2

The amendments to NZ IAS1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's prospective consolidated financial statements.

There were no other new accounting standards, interpretations and amendments effective 1 July 2023 that had an impact on the prospective consolidated financial statements of the Group.

(b) **New standards, interpretations and amendments not yet effective**

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. These have been assessed by the Group and are not likely to have a material impact.

6 | Significant accounting judgements, estimates and assumptions

Use of judgements and estimates

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

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

Impairment of trade receivables and contract assets

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

The credit quality of trade receivables and contract assets is considered to be high as Public Trust acts as trustee or administrator for most of its clients and generally has first call over the clients' assets. The Group considers these financial assets to be in default when internal and/ or external information indicates that the Group is unlikely to receive the outstanding contractual amounts and the financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Contracts with a significant financing component

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

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

Cash flows are discounted using the Treasury-risk free rates at the reporting date reflecting the low credit risk resulting from the Group's first call over the client's assets. Future cash flows beyond 10 years have been discounted using the 10-year rate. Where collection is expected within 12 months of the reporting date, no discounting is applied.

Goodwill impairment

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

Recognition of deferred tax asset for carried-forward tax losses

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses or temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and the level of future taxable profit.

Provisions

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

Variable consideration

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

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

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

Lease accounting

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

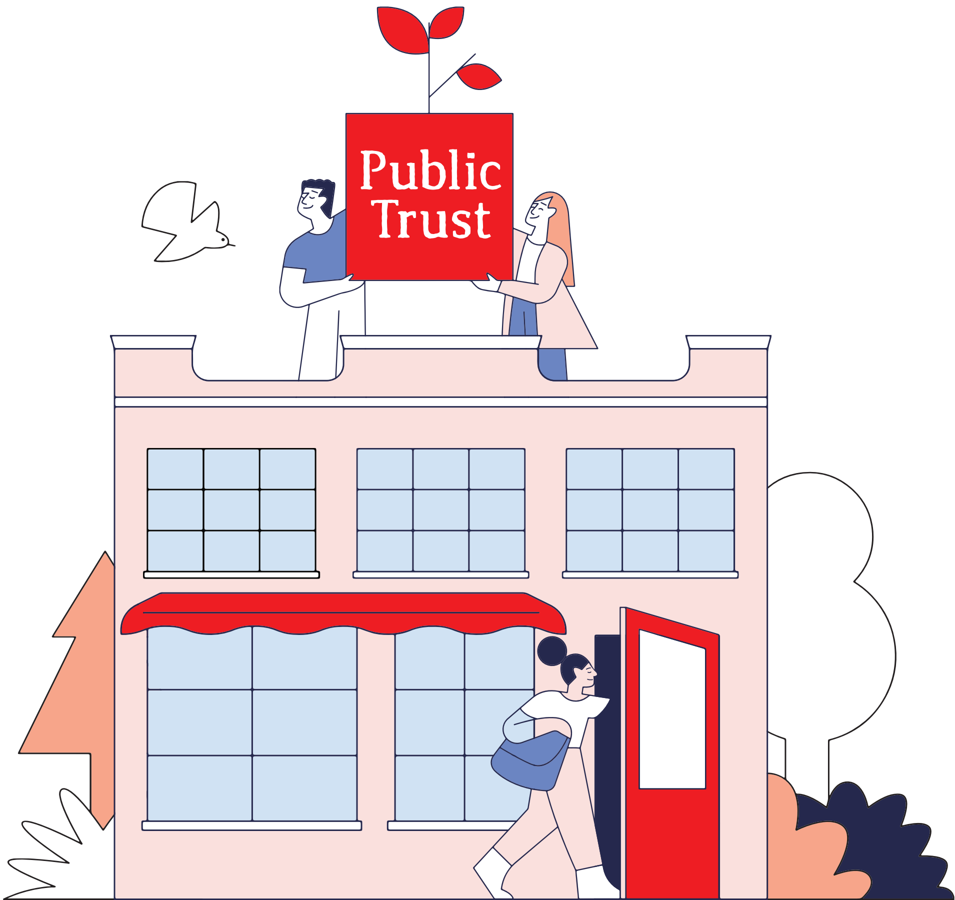
For leases of office buildings, the following factors are normally the most relevant:

- If there are significant penalties to early terminate, the Group is typically reasonably certain to not early terminate.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption resulting from replacing the leased asset.

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

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



Significant assumptions

The prospective consolidated 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 prospective consolidated financial statements:

1. The 2024 forecast financials include actuals up to 31 December 2023 and 6 months of forecast.
2. Operating costs are projected to increase primarily due to an annual employee remuneration uplift, higher Information Technology licence costs and increased depreciation due to capex spend in the second half of financial year 2024.
3. Retail revenue is projected to grow due to price increases in-line with inflation expectations, increased product volumes delivering increased customer chargeable hours and revenue growth initiatives.
4. Corporate Trustee Services revenue is projected to grow due to new business acquired, funds under supervision growth driven by ongoing investor contributions and strong financial markets and planned new business development.
5. Investments revenue is projected to increase due to higher Public Trust Investment Service funds under management, consistent with the trend observed over financial year 2024.
6. Actual Digital revenue and sales volumes are expected to grow between financial years 2024 and 2025, however actual financial year 2024 revenue is expected to be lower than forecast due to year to date lower sales volumes and lower revenue per product due to discounts.
7. Fee Protect revenue is expected to increase due to continued growth in New Zealand's international student market.
8. 2025 plan financials assume capital expenditure on intangible assets and property, plant and equipment of $8.2 million.
9. Compensation and legal claims for service delivery issues are expected to continue at levels observed in financial year 2024 plus an inflation uplift. Provisions are forecast using best estimates.
10. The funding cap for the services agreement between the Ministry of Justice and Public Trust will reduce from $3.617 million in financial year 2023/2024 to $1.984 million in financial year 2024/2025. There is an expectation that no work is performed in excess of the funding cap in financial year 2025.

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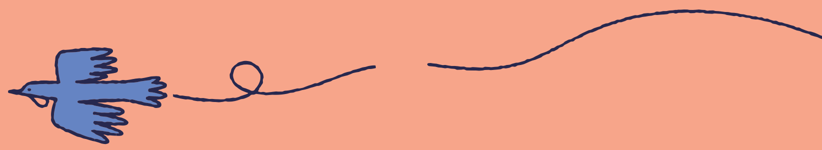

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