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Annual Report.

2017/18

publictrust.co.nz

Public Trust

Under the Public Trust Act 2001, our required principal objective is to operate as an effective business. To this end, we need to:

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

This report covers the activities for the year ended 30 June 2018 and has been prepared to meet the requirements of:

- Section 150 of the Crown Entities Act 2004
- Public Trust's 2016 Statement of Intent.

On behalf of the Board we have the pleasure of presenting the annual report of Public Trust for the year 1 July 2017 to 30 June 2018.

Ian Fitzgerald
Chair
19 September 2018

Graham Naylor
Chair
Audit and Risk Committee

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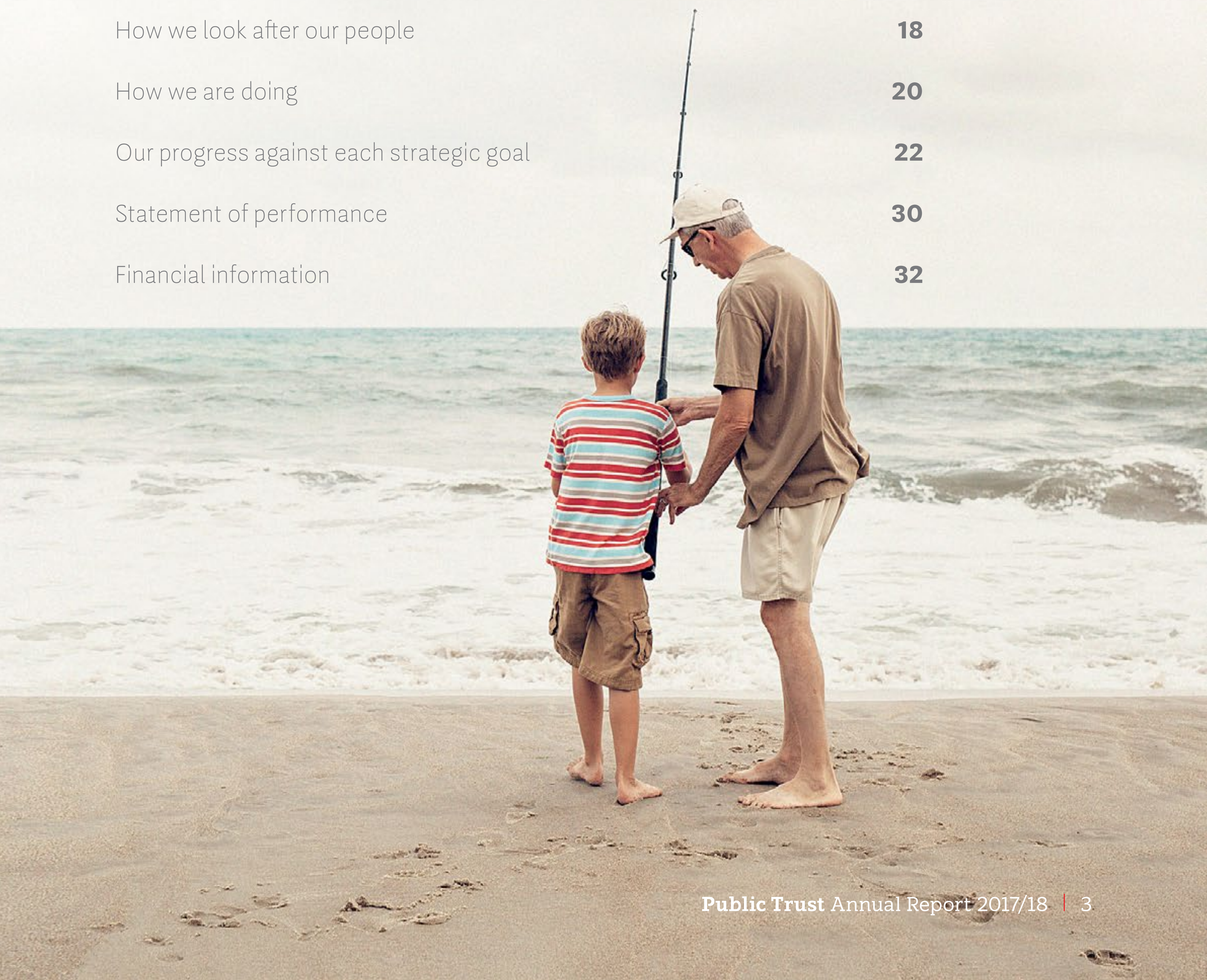

Report from the Chair and Chief Executive

This report comes with an added degree of reflection following our longstanding Chief Executive Bob Smith's decision to retire from Public Trust over the coming year. Under Bob's leadership, Public Trust has undertaken major business transformation – and when the time comes to depart, he will leave a purpose-driven organisation that is very clear on the role it will play in New Zealand in years to come.

Our role in shaping a thriving New Zealand

Over the past 4 years, Public Trust has undertaken major transformational change to ensure it is set up to support more Kiwis to be better prepared and protected.

There is a clear need for our services – currently, less than half of all adult New Zealanders have a will, and the majority of these are out of date.

Our country is also supporting an ageing population, with the number of elderly New Zealanders expected to significantly increase over the next few decades. A growing number of Kiwis will need extra help to maintain their quality of life, which we are set up to support through our services, especially Personal Assist.

The need for a strong and sustainable Public Trust to take the lead is clear, and we have invested significantly in our business and our people over the past few years to ensure we are able to do more for New Zealand. While we have more work to do, we take heart in the many positive indicators that confirm the things we are doing are of real value to others.

Promising signs of growth

Building a strong and sustainable Public Trust underpins our ability to have a greater impact on New Zealand, so we are encouraged by our positive financial indicators. We are pleased to report that we are continuing to see year-on-year revenue growth with a 6.2% increase this year in our overall net revenue. Our Retail business grew net revenue by 4.5%, and we also saw positive revenue growth from our Corporate Trustee Services and our Investments businesses.

A time to invest

We decided it was important to continue with accelerated investment and creating future value to ensure we are able to deliver on our ambitions. We have taken some very positive steps forward in FY18 to ensure we have sustainable workflow management, and smarter systems and processes that will make things easier for our people and our customers.

The investment in our business operations has meant that our profit is lower but has ensured we end the financial year well positioned to deliver the next phase of our Business Plan.

Changes to trust law

As New Zealand's largest trustee business, we are actively involved with the Trust Law Reform Bill and are making submissions with our customers in mind. Given the nature of the proposed changes and the thousands of customers that will be impacted, we are beginning to drive awareness and understanding of what this will mean for Kiwis. We see this as an important way that we can make a difference to the significant number of New Zealanders who will be affected by these changes.

A new outward-looking lens

As we look ahead, we are now ready to take a more outward-focused view. Tomorrow's Public Trust will be driven by the same core purpose, but we will deliver on this in a way that is more reflective of what our customers value. We want to bring to life a more relevant experience for our customers – one where there is efficient and hassle-free delivery of service and a real sense of collaboration and understanding as we work with our customers to build a better prepared New Zealand.

As always, we are incredibly grateful for the important role our people have played this year in helping us get to this point. Their ongoing commitment to supporting our customers over the last few years of significant change has been second to none, and we feel fortunate to be part of such a passionate team. This sentiment has been a constant over the past few years but takes on extra significance as we reflect on all that Public Trust has achieved over its time of transformation.

Kind regards

Ian Fitzgerald
Chair

Bob Smith
Chief Executive

Our Board

Our Board is currently made up of seven members who have backgrounds in law, commerce, economics, engineering, accounting and science.

Bevan Killick
Member Investment and Audit and Risk Committees

Ian Fitzgerald
Chair, ex-officio Member Audit and Risk, Investment, Human Resources and Remuneration Committees

Graham Naylor
Chair Audit and Risk Committee

Chaired by Ian Fitzgerald, the Board comprises Fiona Oliver (Deputy Chair), Simon Craddock, John Duncan, Bevan Killick, Graham Naylor and Dianne Williams.

The Board has responsibility for the affairs and activities of Public Trust and recognises the importance of focusing on governance of the business and value growth, rather than the day-to-day management of the business.

The Chief Executive is charged with the day-to-day management of Public Trust and provides the principal link between the Board and management, acting within authorities delegated by the Board.

John Duncan
Chair Human Resources and Remuneration Committee, Member Investment Committee

Fiona Oliver
Deputy Chair, Member Audit and Risk Committee, Chair Investment Committee

Dianne Williams
Member Human Resources and Remuneration Committee

Simon Craddock
Member Investment, Human Resources and Remuneration Committees

Corporate governance

This section reports on our corporate governance framework. We have adopted the principles and recommendations set out in the Financial Markets Authority (FMA) Handbook: *Corporate Governance in New Zealand: Principles and Guidelines* issued in February 2018. These are addressed in the section below and throughout the report.

1 Ethical standards

The Board operates under a charter that states members must comply with the express terms and spirit of their statutory obligations to Public Trust, including acting honestly, in good faith and in what they reasonably believe to be our best interests.

The Board must also comply with Public Trust's Ethics Framework and Code of Conduct Policy and are provided with reports that detail any significant employee breaches of the framework and policy. These documents have been developed with external guidance from KPMG and the State Services Commission.

Each of these documents is available on our website at publictrust.co.nz/about/corporate-governance and reflects the FMA principles and guidelines in so far as they are applicable to Public Trust.

2 Board composition and performance

The structure of the Board is set out in the Public Trust Act 2001 and the Crown Entities Act 2004. Members are independent from Public Trust's Executive Team and are appointed and removed by our Responsible Ministers: the Minister of Justice (which has been delegated to the Associate Minister of Justice) together with the Minister of Finance. This process is managed by Treasury, in consultation with the Chair, in keeping with the appointment process for Crown entities.

The performance of the board, committees and members is evaluated on a regular basis. To help develop our Board and enable them to deliver market-leading Board of Director services, a Board performance assessment is facilitated regularly.

All new Board members are provided with a comprehensive Board manual and undergo a formal induction. This includes attending the Treasury's induction programme, sessions with the Executive Team and site visits. Board members also undertake further education and training as necessary to ensure they have the skills and expertise needed to carry out their responsibilities.

3 Board committees

The Board had three standing committees during the reporting period: Audit and Risk Committee (previously known as the Audit Committee), Investment Committee and Human Resources and Remuneration Committee.

Each committee has a charter that sets out its roles, responsibilities, composition and structure. Charters are reviewed annually and are available on our website at publictrust.co.nz/about/corporate-governance.

The Board retains oversight of the committees and is kept informed of any recommendations, issues and activities. Committee decisions are reported to the Board at the next Board meeting.

4 Reporting and disclosure

We have specific reporting requirements we must meet as a Crown entity and produce the following documents:

- Our Statement of Intent sets out our strategic objectives and performance measures over a 4-year period.
- Our Statement of Performance Expectations supports our Statement of Intent by providing detailed information about our planned outputs and desired results.
- Our Annual Report details our performance and progress against our Statement of Intent and Statement of Performance Expectations.

These documents are all available on our website at publictrust.co.nz/more-information/publications.

The Audit and Risk Committee assists with ensuring the integrity of our financial reporting by overseeing and providing advice to the Board on Public Trust's financial statements.

We have internal controls in place that support the preparation of quality financial statements. This includes a system of policies and procedures, adherence to standard New Zealand accounting practices, employing appropriately qualified and experienced personnel, the use of independent auditors and seeking guidance from other professional organisations as required.

5 Remuneration

The remuneration of Board members is set by the Responsible Ministers in accordance with the State Services Commission's Cabinet Fees Framework and, as such, is independent from Public Trust.

The Human Resources and Remuneration Committee assists the Board in respect of the Chief Executive's employment conditions and remuneration. Each year prior to the Chief Executive's remuneration review, the Board consults with the State Services Commission, which provides advice regarding expectations and remuneration movement. The committee also makes recommendations to the Board regarding Executive Team appointments, employment conditions, remuneration and performance assessment.

6 Risk management

Public Trust's Statement of Intent details how risk is managed and highlights key risks faced by the business and their respective mitigants. We are currently implementing a three lines of defence model to enhance risk management practices and assurance across Public Trust.

The Audit and Risk Committee is now transitioning to quarterly reporting on preventable risks, compliance, regulations and key internal policies for controlling risk, and the Board regularly reviews all material strategic and external risks faced by Public Trust. The Executive Team has escalation processes in place to ensure the Board remains informed of significant compliance and risk issues.

7 Auditors

Our external audits are overseen by the Audit and Risk Committee and undertaken by the Auditor-General, who has appointed Emma Winsloe of Ernst & Young to carry these out for a term of 3 years ending on or before 31 October 2018.

The external auditors attend all Audit and Risk Committee meetings and meet with the Audit and Risk Committee independently of management at least four times per year.

The policy of the Board is that non-audit services for Public Trust may not be undertaken by or sought from our external auditors without the Audit and Risk Committee's approval.

During the year, the external auditors carried out the following non-audit work:

- Assurance services relating to business risk assessments and compliance with anti-money laundering and countering financing of terrorism regulations.
- Remuneration benchmarking services.

The Board is satisfied that this work did not compromise the auditors' objectivity and independence as it was either consistent with the other audit services provided or outside of the ambit of the audit. The Office of the Auditor-General also limits how much non-audit work can be performed by Public Trust's external auditors.

8 Shareholder relations and stakeholder interests

Public Trust is an autonomous Crown entity and, as a result may be directed by the Responsible Ministers to have regard to government policy that relates to our functions and objectives. We can also be directed to give effect to a whole-of-government approach by the Ministers of Finance and State Services.

We have a 'no surprises' policy between the Executive Team and our Board and between the Board and the Associate Minister of Justice.

The Board Chair meets with the Minister and attends Select Committee meetings as required. We provide quarterly reports to the Minister on matters of note and as necessary when other matters arise. In addition to this, our Chief Executive and Chief Financial and Information Officer meet with Treasury officials each month.

We are responsible for delivering positive outcomes to a wide range of stakeholders.

Our Ethics Framework and Code of Conduct Policy guide how we interact with our customers, employees, Responsible Ministers, partners and the communities we serve.

Information on our goals, strategies and performance is also contained in:

- the Shareholding Ministers' letter of expectation
- our Statement of Intent
- our Statement of Performance Expectations.

Our business

Our 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.

Planning well – estate planning

We write wills and set up enduring powers of attorney (EPAs) and help establish Trusts. Wills set out the wishes of our customers for how their affairs are to be managed after they've gone, EPAs specify who can take care of their personal or financial matters if they can't, and trusts allow them to protect and manage their assets.

Living smart – estate management

We maintain and review customers' estate plans based on life events to ensure the appropriateness of their solutions and work with individuals, businesses and corporates to manage their funds and assets held in family trusts, inheritance trusts, prepaid funeral trusts and charitable trusts.

We manage lots of different asset types, including New Zealand's largest training farm, Smedley Station. We also safeguard student fees on behalf of private training establishments through our Fee Protect service.

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.

PPPR

We provide personal management services under the Protection of Personal and Property Rights Act 1988 (PPPR). 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.

Leaving well – estate administration

We administer and manage approximately 8,000 immediately distributable and ongoing estates each year, 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.

Executor Assist

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.

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 savings needs and an investment service to meet customers' long-term investing needs.

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

Our FY18 performance for the Public Trust funds was ahead of our long-term objectives and in line with our benchmarks. Our returns were ahead of our long-term objectives due to the strong performance of equity markets, both globally and domestically, during the year. Preservation of clients' capital is a key objective of our investment services.

Social good

Under various statutes, we have specific responsibilities in relation to providing protective fiduciary services to New Zealanders. This includes PPPR and some estate management services, for which we receive funding from the Ministry of Justice through a services agreement.

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

Corporate Trustee Services is a leading specialist corporate trustee, with more than NZ$86 billion under supervision. We provide specialist trustee services and leading prudential independent supervisory oversight to the New Zealand corporate market.

As a supervisor licensed under the Financial Markets Supervisors Act 2011, we monitor and represent 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 trustee in a number of structured finance, securitisation of assets and wholesale funds and as a custodian by holding assets in trust in accordance with trust deeds.

Our role in protecting New Zealand's retirement savings

Public Trust supervises eight KiwiSaver providers with approximately $16.7 billion of assets under management.

Who we are

Our Executive Team of seven have backgrounds in law, accounting, finance, banking, insurance, business and telecommunications.

Bob Smith
Chief Executive Officer

Liz Style
General Manager
Legal and Governance

Vicki Nuttall
Chief Risk Officer

Our people and nationwide presence

We are the proud employer of 371* individuals across New Zealand. Our customer centres and appointment-only sites can be found from Whangārei to Invercargill, and we have a contact centre in Christchurch and corporate sites in Auckland, Wellington and Christchurch.

Our workforce is as diverse as our customers, aged between 19 and 71, and made up of a number of different ethnicities we are also proud to have excellent representation of women in leadership positions. Our employees have experience from a range of industries including law, banking, finance, insurance, local government and technology.

*Not including contract or casual workforce.

Workforce percentages

81% Permanent full time

8% Permanent part time

10% Temporary full time

1% Temporary part time

Average service length 6.4 years

Gender split percentages

Employees in non-leadership roles

69% Women

31% Men

Leaders

57% Women

43% Men

Age ranges and percentages

19–29	16%
30–39	21%
40–49	28%
50–59	27%
60–71	8%

Ethnicities and percentages

64% New Zealand European/Pākehā

11% Asian

8% British/Irish

4% New Zealand Māori

3% Pacific Islander

2% Australian

2% Other

371 people

25 customer centres

How we look after our people

We recognise that a continued focus on people and culture is a critical success factor for our business. We are a member of the Equal Employment Opportunities (EEO) Trust and are committed to being a good employer. This is reflected in our EEO and Diversity Policy, Ethics Framework and Code of Conduct policy.

Culture

Our vision, purpose, promise, beliefs and behaviours help shape our culture. This is supported through our Culture Plan, internal communications, development programmes, performance management framework and rewards and recognition.

Employee development and leadership

Our Performance Management Framework supports the management of individual employees' performance and development. Remuneration and development opportunities are linked to results. We capture and monitor key talent data, which includes succession planning.

Developing and supporting our people is a priority, and we are continuing to make significant investment in building our technical and leadership capability.

Recruitment and selection

Our recruitment strategy focuses on having a fast, thorough and targeted process that allow us to recruit the skills, capability and diversity needed to support the delivery of our Business Plan.

We have recruitment policies in place to ensure we are using the best recruitment method, leveraging our in-house capability and ultimately attracting the right people in the most cost-effective way.

Diversity and inclusion

We recognise a diverse workforce supports diverse thinking and thought processes. We are focused on eliminating bias in recruitment and selection, and actively seek out different skill and mind sets. We are committed to achieving a workforce that is as diverse as the communities we serve.

Flexibility and work design

We offer flexible working practices, balanced with our business priorities. Most employees can access their work email and phone from home.

Part-time and flexible working hours are available to all who are interested. This particularly suits those returning to the workforce from parental leave or preparing for retirement.

Harassment and bullying prevention

We maintain a zero tolerance policy towards bullying or harassment of any kind. This is reflected in a number of formal policies dealing with bullying, harassment and discrimination.

We provide leader-led education to our people, supported by appropriate investigation and disciplinary action.

Health, safety and wellness at work

Our vision is to ensure health, safety and wellness is embedded across our business to deliver a safe and healthy work environment for our people, customers, visitors and contractors.

We focus on three key areas: strengthening safety leadership creating a culture of health and safety and wellness and improving our systems.

All of our people complete an annual health, safety and wellness awareness module to ensure we all understand our roles and responsibilities. We have identified critical health and safety risks across our business and strive to control these risks as continuous improvement.

Public Trust is proud of our employee participation programme, and we have trained regional health and safety representatives across the country that support the implementation of our safety programme.

We provide our people with flu vaccinations and personal emergency kits, offer subsidy for participation in sports events as part of our wellness programme and offer an employee helpline and assistance programme along with discounted health insurance. We instantly reward and recognise our people for positive safety leadership or behaviours via e-cards.

Our belief is that all our people should return home healthy and safe every day.

Risk and compliance

We have a Compliance and Risk Framework that uses risk assessment techniques to identify and control material risks in the business through policies, procedures and other controls, combined with control monitoring and regulatory analysis to ensure internal policies and external regulations are being complied with and are effective in managing risk.

Alongside this, we have also this year started to implement a three lines of defence model to enhance our risk identification and management, improve our risk reporting and strengthen our risk culture.

How we are doing

Over the last 4 years, we have been focused on achieving our principal objective to operate as an effective business and putting in place the necessary foundations for growth as a dedicated trustee services company.

In our 2016 Statement of Intent, we outlined four strategic goals and three strategic focus areas to enable us to achieve our overall vision to be New Zealanders' first choice and fastest growing trustee services provider.

Goals

- Productivity: build a sustainable and profitable business by working smarter.
- Customer satisfaction: make every customer interaction one worth sharing.
- Business to Business: be a trusted partner of New Zealand businesses.

Strategic focus areas

- Culture and capability.
- Revenue growth.
- Operational excellence.

In this section we take a closer look at how we have tracked against each of these goals and review the actions we have taken, measures for success and the outcome.

Our progress against each strategic goal

Market share

Productivity

Customer satisfaction

Business to business

Market share

Current goal: Provide trustee services to more New Zealanders.

The actions we have taken:

- Embedded our new structure and systems and focused on making operational improvements to lift market share.
- Built on the success of our 'Tough Questions' campaign to raise brand awareness and understanding.
- Aligned our pricing framework with our 2020+ strategy.
- Planned for the opening of a new Auckland customer centre.

Embedding our growth foundations

Over the past few years, we have put in place some significant foundations for growth, including a new operating model to move decision making closer to our customers and the implementation of a new core technology system. In FY18, our focus has been on embedding these, as well as making the operational improvements needed to be able to deliver on the growth aspirations outlined in our Business Plan.

While we still have some way to go before we start to realise our ambitions, we have continued to see encouraging signs this financial year with a 6.2% increase in our overall net revenue. Our Retail business increased net revenue by 4.5%, our Corporate Trustee Services business achieved 12.6% revenue growth and our Investments revenue increased by 5%.

Continuing to ask the 'Tough Questions'

This year, we have built on the success on our 2017 Tough Questions brand campaign, which is helping us share our Public Trust story and build a stronger connection with New Zealanders. This year, the campaign featured some of our people to present a strong message on the need to be prepared via an authentic and real face of Public Trust.

New pricing framework

Having quality estate planning conversations with more New Zealanders sits at the cornerstone of our vision for how we can better support Kiwis in 2020 and beyond. In support of this, we introduced a new pricing framework in early 2018, which better promotes these kinds of discussions. Our new framework supports our trustees to have more holistic estate planning conversations, which will help us to take on a bigger role in educating Kiwis and grow profitable market share.

Planning for a new Auckland customer centre

We have also started to prepare for the opening of a new customer centre in the Auckland CBD as part of our Retail growth strategy.

The new centre will provide easy access for customers who work in the central city, helping us leverage the Auckland opportunity and ensure that we are well placed to support New Zealand's fastest growing population.

Personal Assist

This year, we put increased marketing focus on Personal Assist. We have seen an increase in both Personal Assist clients and prospects, which is pleasing given that this service has a long sales cycle.

We continue to see Personal Assist as strategically important given New Zealand's ageing population and will continue to invest in promoting the service this year.

Measure	Outcome
Market share of wills, EPAs and estates.	Probate market (including Executor Assist) share has held steady at 10.7% for FY18.

Productivity

Current goal: Build a sustainable and profitable business by working smarter.

The actions we have taken:

- Focused on building smarter systems and processes.
- Improved our Retail workflow management.
- Made operational improvements to build a sustainable Retail business.
- Driven a commercially smart approach and decision making at Public Trust.

Smarter systems and processes

With our core IT system implementation completed in 2016, we have invested in making our systems and processes easier for our people and our customers this year. This has involved designing fresh approaches to our core business processes and fine-tuning our systems to make our work easier.

Some of the most significant improvements include an easier way of managing our client documentation, a new way of managing international payments and a more commercial process for accepting new business, enabling better ways to meet the needs of all clients.

We are also looking at how we can work smarter to ensure we can offer our customers the very best Personal Assist service. This work will continue into FY19 as we set ourselves up to support this growing market.

Retail workflow management

A key area of focus in FY18 has been on workflow management in our Retail business to ensure all our work is up to date and managed in a sustainable way. This has been achieved with the support of some extra resourcing and investment as well as the creation of new file-processing standards, which were rolled out this year to all our customer centre teams. The strong focus on improving our workflow management has resulted in a decrease in our overall productivity for FY18. However, the investment we have made in this area this year has set us up for better future working practices.

Building a sustainable and profitable Retail business

Work has been ongoing this year in taking further steps to ensure the long-term sustainability of our Retail business. This has included the delivery of a number of operational improvements as well as a focus on addressing working capital management.

Being commercially smart

Over this financial year, we have focused on providing more clarity to our people on what it looks like to be commercially smart and operate in a way where our customers are valued and we are recognised for the work we do on their behalf. Part of this has involved the development and implementation of a leadership development module on being commercially smart and the roll-out of a new problem solving model to all our people to help them work through opportunities and challenges in a streamlined and effective way, allowing us to get the best possible outcomes for our customers and our business.

Measure	Outcome
Retail productivity.	We have seen a decrease in Retail productivity from 57.8% at the beginning of the reporting period to 44.5% at the end of FY18, which was largely driven by the focus on working capital management and bringing our customer files and activities up to date.

Customer satisfaction

Current goal: Make every customer interaction one worth sharing.

The actions we have taken:

- Started to re-establish Public Trust as a leading learning organisation.
- Evolved our online presence and customer culture.
- Gathered customer insights to create a better customer experience.
- Renewed our focus on customer feedback.

Re-establishing Public Trust as a New Zealand-leading learning organisation

As a service business, our people are fundamental to our success. In recognition of this, we have rolled out a new capability framework for our Retail trustees.

The framework, which is a mix of formal and on-the-job training, defines the knowledge, skills and behaviours that are required to deliver a consistently great experience for our customers and will help provide the means for more in-depth estate planning conversations across New Zealand. Planning is also now under way for a capability framework that will support our supervisory team members in Corporate Trustee Services.

Evolving our online presence

Following the relaunch of our new Public Trust website in 2017, we have continued to evolve and improve our online presence. This year, we have launched some new tools on publictrust.co.nz to better prepare customers for a consultation and the overall process, including conversation guides, checklists and some explainer-style videos that talk through topics like guardianship or executorship in a simple and clear animated video.

These online tools are supporting our drive to take on more of a leadership role in educating Kiwis on the ins and outs of estate planning and help to address some of our customer research around the need to raise awareness and understanding of the options available to them and reduce the anxiety or uncertainty around how to get started on estate planning.

Customer insights to create a better customer experience

Over the past year, we have been focused on understanding what truly matters to New Zealanders.

We have begun to refresh Retail customer centres across the country. The refresh is a 'look and feel' change that provides a warmer, more accessible and professional environment. Centres are also safer for our people, with CCTV and other security features being added during refreshes. Eight centres were refreshed in FY18, including three full fit-outs (Timaru, Hastings and Greenlane).

With a significant amount of process changes happening for our frontline people, we are pleased that the experience for customers (measured by Net Promoter Score) has held strong for most areas, although we have work still to do, especially in the area of our beneficiary experience.

We undertook significant customer research to gather insights about the drivers of value for our target audiences. We also conducted interviews with our team members to understand existing pain points and opportunities to improve and held a series of workshops across the business as part of Public Trust's design of our strategy. A series of current and future-state customer journey maps have been created to address current pain points, and these are guiding our customer experience improvement initiatives.

Our overall goal in our customer experience improvements is creating value and advocacy among the New Zealanders of today and tomorrow.

Welcoming customer feedback

In FY18, a renewed focus on handling customer feedback has led to an increase in reporting complaints. Employee workshops equipped our people to identify and log complaints more effectively than in past years. Our time to resolve complaints has reduced through the year and continues to fall. It is now easier than ever for our customers to give us feedback, with a transparent and customer-centric process shared publicly on the website.

Our culture

We have continued to build a customer culture this year by focusing on embedding our Public Trust behaviours of empathy, accountability and problem solving in our systems, frameworks and environment. We have also started a journey to strengthen our risk culture across Public Trust to ensure we are able to offer customers the best possible protection and are evolving and adapting to today's regulatory environment.

Measure	Outcome
Net Promoter Score (NPS).	Public Trust's NPS across will, EPA and trust customers remains strong at 25 in FY18. This compares to 33 in FY17.* However, the score from beneficiaries has deteriorated from -9 in FY17 to -25 in FY18, largely due to issues with responsiveness as our frontline went through major process changes. *In previous years, trust customers have been reported separately, but given the low numbers, these have now been included with other estate planning customers and the FY17 figure has been updated here for consistency year on year.
Reduction in number and level of complaints, as measured by the General Manager Retail's complaints log.	For the year ended 30 June 2018, we received 308 complaints. This is a 51% increase when compared with the 149 complaints received the year ended 30 June 2017. During the year, 34 complaints were escalated to Financial Services Complaints Limited for mediation, compared to 10 in the previous year. This is a positive shift to greater reporting of complaints, which we encouraged through workshops with staff across the country as well as making it easier for customers to give us feedback.

Business to business

Current goal: To be a trusted partner of New Zealand businesses.

The actions we have taken:

- Leveraged existing partnerships and signed two new strategic partnerships.
- Received the Dementia Friendly Award in two of our customer centres.
- Continued promotion of our innovative Executor Assist service.

Building on existing partnerships

To deliver on our goal of being a trusted partner of New Zealand businesses, this year, we have focused on leveraging our existing strategic partnerships with service providers in industries such as health, banking, legal and aged care and signed new partnerships with the Auckland District Health Board's A+ Trust and Dementia New Zealand.

A first in the New Zealand trustee services industry

Our Nelson and Blenheim customer centres are leading the way in the trustee services industry by being accredited as being Dementia Friendly. The internationally recognised award aims to raise public awareness of dementia and assist people with dementia to continue living well in their communities. Public Trust will continue to work with Alzheimers New Zealand to explore how we can extend this accreditation across the remainder of our customer centres.

A+ Trust annual promotion

We played an important role in the Auckland District Health Board's A+ Trust major annual campaign at Auckland City Hospital to encourage people to write or update their wills. This involved a number of promotional activities to encourage staff, visitors and patients to write or update their will.

Building relationships at the local level

To support our people in leveraging our business partnerships at a local level, we also relaunched our business development toolkit in FY18. The toolkit is designed to equip trustees to build and nurture relationships in their communities.

Executor Assist

Executor Assist continued to be a strategic focus this year, and we continue to see customers requiring assistance in this area. Going forward, we will start to build relationships with partners and begin to leverage these to grow the business.

Measure	Outcome
Number of new partnerships formalised.	We signed two new partnership agreements over this reporting period with Auckland District Health Board's A+Trust and Dementia New Zealand.

Statement of performance

For the year ending 30 June 2018

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 to ensure that all New Zealanders have access to estate and personal management services.

As a result, Public Trust has one reportable output under section 149E(1)(a) of the Crown Entities Act that contributes to the Ministry of Justice outcomes of enabling access to justice for all by providing quality fiduciary services.

Measuring the services we provide

Service	Measure	Achievement
Providing Protection of Personal and Property Rights Act 1988 administration, audit and advice services to incapacitated persons or under Public Trust agencies.	Hours to manage and advise individuals under the Protection of Personal and Property Rights Act.	6,291 undertaken. (7,000 forecast for FY17/18)
Administration of small and/or complex 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.	Hours to manage and advise on small estates and trusts.	3,620 undertaken. (4,400 forecast for FY17/18)
The 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.	Hours taken to examine statements.	3,211 undertaken. (740 forecast for FY17/18)

Revenue and expenses

Expected	Actual
Expected revenue 2017/18 $1.8 million	Revenue $2.3 million (GST exclusive)
Proposed expenses 2017/18 $2.0 million	Expenses $2.8 million (GST exclusive)

Measuring our performance

The quality and impact of the services we provide and their contribution to Ministry of Justice outcomes are outlined in our 2018 Statement of Performance Expectations and are measured below.

Outcome	Measure	Achievement
Access to justice services that individuals are unable to obtain within their own means.	Nationwide network of Public Trust offices available during business hours. Online resources available with less than 40 hours downtime per annum. Nationwide network of customer centres available during business hours.	We continue to maintain a mix of channels where the public can easily access our services. We operate out of 25 dedicated and 12 appointment-only customer centres across New Zealand. Our Contact Centre is available between 8.00am and 5.30pm, Monday to Friday, through our 0800 number. There were no outages for the 2017/18 period. Our website allows customers to get in touch online. There were no outages for the 2017/18 period.
Provide quality and responsive/ timely services.	Customer satisfaction rating (as measured through an independent survey) is greater than 80%.	We achieved an outcome of 69% customers satisfied (rated us in the range of 6–10 out of 10), with a base of 366 customers in the NPS survey. For further detail, see customer satisfaction outcomes on page 26.
	80% of complaints are closed within 30 days, and less than 5% of complaints are referred to an external dispute resolution provider.	73% of complaints were closed within 30 days. 11% were referred to an external dispute resolution provider. For further detail, see customer satisfaction outcomes on page 26.

Financial information

Funds under management

as at 30 June 2018

Public Trust has responsibility for funds under management, including fiduciary responsibility for trusts under management and trusts under supervision. The following table details the assets under management and supervision.

	Actual 2018 ($M)	Actual 2017 ($M)
Fiduciary assets		
Funds under management		
Common Fund	361	450
Public Trust Investment Service	625	586
Assets under management	2,728	2,521
Funds under supervision	85,937	75,178

Statement of responsibility

for the year ended 30 June 2018

The Board of Public Trust accepts responsibility for the preparation of the financial statements and statement of performance and for the judgements in them. The judgements applied in the preparation of the financial statements are reported in the notes to the financial statements.

The Board of Public Trust accepts responsibility for establishing and has established and maintains a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of Public Trust, the financial statements and statement of performance for the year ended 30 June 2018 fairly reflect the financial position, results of operations and cash flows of Public Trust.

Ian Fitzgerald
Chair
19 September 2018

Graham Naylor
Chair
Audit and Risk Committee

Consolidated statement of financial position

as at 30 June 2018

	Notes	Actual 2018 ($000)	Unaudited budget 2018 ($000)	Actual 2017 ($000)
Assets				
Cash and cash equivalents		27,678	27,015	18,754
Investment securities	5	351,511	370,028	443,044
Advances to clients	8	2,498	2,515	2,662
Advances secured by mortgage		767	291	1,008
Trade receivables and work in progress	7	9,859	9,419	11,551
Total financial assets		**392,313**	**409,268**	**477,019**
Other assets		4,324	4,805	4,173
Intangible assets	10	26,759	29,051	28,515
Deferred tax asset	9	9,663	-	9,163
Total assets		**433,059**	**443,124**	**518,870**
Liabilities				
Liabilities to clients – at call or short term		360,694	331,194	414,554
Liabilities to clients – term deposits		195	41,666	35,039
Prepaid estate administration		274	226	322
Total liabilities to clients		**361,163**	**373,086**	**449,915**
Trade payables		3,076	8,599	2,317
Derivative financial instruments	6	193	793	568
Employee benefits	11	4,111	3,446	3,985
Provisions	12	1,750	1,606	2,262
Other liabilities		910	2,124	1,083
Total liabilities		**371,203**	**389,654**	**460,130**
Equity				
Contributed equity		90,174	90,174	90,174
Retained earnings		(28,318)	(36,704)	(31,434)
Total equity	13	**61,856**	**53,470**	**58,740**
Total liabilities plus equity		**433,059**	**443,124**	**518,870**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of the financial statements on 19 September 2018.

Ian Fitzgerald
Chair
19 September 2018

Graham Naylor
Chair
Audit and Risk Committee

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Contributed equity ($000)	Retained earnings ($000)	Cash flow hedge reserve ($000)	Total equity ($000)
Actual as at 1 July 2016	90,174	(44,494)	(108)	45,572
Profit for the year	-	13,060	-	13,060
Other comprehensive income	-	-	108	108
Total comprehensive income	**-**	**13,060**	**108**	**13,168**
Actual as at 30 June 2017	**90,174**	**(31,434)**	**-**	**58,740**
Profit for the year	-	3,116	-	3,116
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**3,116**	**-**	**3,116**
Actual as at 30 June 2018	**90,174**	**(28,318)**	**-**	**61,856**
Unaudited budget as at 30 June 2017	**90,174**	**(41,708)**	**-**	**48,466**
Profit for the year	-	5,004	-	5,004
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**5,004**	**-**	**5,004**
Unaudited budget as at 30 June 2018	**90,174**	**(36,704)**	**-**	**53,470**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of total comprehensive income

for the year ended 30 June 2018

	Notes	Actual 2018 ($000)	Unaudited budget 2018 ($000)	Actual 2017 ($000)
Revenue				
Fee revenue		45,563	53,696	43,525
Less: Fee expenses		(442)	(3,506)	(505)
		45,121	**50,190**	**43,020**
Interest from interest-bearing securities		12,123	9,998	12,884
Interest from advances		247	-	225
Less: Interest expense		(1,559)	(1,928)	(3,098)
		10,811	8,070	10,011
Revenue from the Crown	17	2,322	1,800	1,881
Other revenue		357	129	254
Net revenue		**58,611**	**60,189**	**55,166**
Expenses				
Employee benefits		(32,567)	(33,816)	(30,989)
Operating lease costs		(2,884)	(3,409)	(2,936)
Depreciation		(1,147)	(1,655)	(1,340)
Amortisation of intangible assets	10	(3,074)	(3,060)	(2,220)
Other expenses		(16,456)	(13,245)	(14,644)
Total expenses		**(56,128)**	**(55,185)**	**(52,129)**
Net gains on financial instruments		133	-	860
Profit before tax for the year		**2,616**	**5,004**	**3,897**
Tax benefit	9	500	-	9,163
Profit after tax for the year		**3,116**	**5,004**	**13,060**
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Cash flow hedges:				
– Net fair value gains		-	-	108
Total other comprehensive income		**-**	**-**	**108**
Total comprehensive income for the year		**3,116**	**5,004**	**13,168**

The above consolidated statement of total comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2018

	Notes	Actual 2018 ($000)	Unaudited budget 2018 ($000)	Actual 2017 ($000)
Cash flows from operating activities				
Fees and other revenue		50,315	52,534	45,241
Interest revenue from investments		12,725	10,107	17,287
Payments to suppliers and employees		(52,039)	(50,638)	(50,268)
Interest paid		(1,813)	(2,452)	(5,514)
Net GST		(214)	(600)	(488)
Net cash flows from operating activities		**8,974**	**8,951**	**6,258**
Cash flows from investing activities				
Net flows from investments*		90,995	50,093	19,988
Purchase of other assets		(1,381)	(1,910)	(1,180)
Purchase of intangible assets		(1,206)	(3,890)	(9,122)
Net cash flows from investing activities		**88,408**	**44,293**	**9,686**
Cash flows from financing activities				
Net (payments to) receipts from clients*		(88,458)	(50,093)	(15,655)
Net cash flows from financing activities		**(88,458)**	**(50,093)**	**(15,655)**
Net increase in cash and cash equivalents		**8,924**	**3,151**	**289**
Cash and cash equivalents at the beginning of the year		18,754	23,864	18,465
Cash and cash equivalents at the end of the year		**27,678**	**27,015**	**18,754**

*Cash flows from investment activities and receipts/payments from clients from financing activities are presented on a net basis.

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

Reconciliation of profit after tax to net cash flow from operating activities

for the year ended 30 June 2018

	2018 ($000)	2017 ($000)
Profit after tax	**3,116**	**13,060**
Adjustments to reconcile profit after tax to operating cash flows:		
Depreciation and gains (losses) on disposal	1,147	1,305
Amortisation and gains (losses) on disposal	3,074	2,246
Movement in accrued purchases of other assets and intangible assets	(171)	1,081
Unrealised (gains) losses and amortisation of premiums and discounts	(23)	(851)
Movement in accrued interest	551	1,761
Write-off and movement in impairment in advances and mortgage allowances	183	(282)
(Decrease) increase in provisions	(511)	740
Working capital adjustments		
(Increase) decrease in trade receivables and work in progress	1,692	(2,817)
(Increase) decrease in deferred tax asset	(500)	(9,163)
(Increase) decrease in current tax asset	-	171
(Increase) decrease in advances to clients and other assets excluding property, plant and equipment	214	366
Increase (decrease) in trade payables, prepaid estates and other liabilities	75	(1,190)
Increase (decrease) in employee benefits	127	(169)
Net cash flows from operating activities	**8,974**	**6,258**

Changes in liabilities arising from financing activities

for the year ended 30 June 2018

	2018 ($000)	2017 ($000)
Liabilities to clients (opening)	449,593	465,993
Net cash flows from financing activities	(88,458)	(15,655)
Non-cash movements	(246)	(745)
Liabilities to clients (closing)	**360,889**	**449,593**

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

Notes to the 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 financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the requirements of the Financial Markets Conduct Act 2013 and the Crown Entities Act 2004. For the purposes of complying with NZ GAAP, the Group is a for-profit entity.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements also comply with International Financial Reporting Standards.

Comparatives

Certain immaterial comparative figures within the financial statements have been reclassified to align with the current period presentation.

Measurement basis

The financial statements have been prepared on a historical cost basis except for interest-bearing securities and derivative financial instruments, 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.

Budget

The budget figures are not audited and are those included in the Statement of Performance Expectations for the 2018 year.

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 are included below:

Doubtful debts and work in progress (note 7)

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 (note 9)

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

Intangible assets (note 10)

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 rate and pre-tax discount rate.

Provisions (note 12)

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

3 Accounting policies

New and amended financial reporting standards and interpretations

For the year ended 30 June 2018, the Group adopted, for the first time, certain amendments to standards. The impact of the amendments on the financial statements is immaterial.

New and amended standards and interpretations that could be expected to have a material impact on the Group's financial statements, which are not yet effective for the year ended 30 June 2018 and have not been adopted, are stated below.

- NZ IFRS 15 Revenue from Contracts with Customers will supersede all current revenue recognition requirements under NZ IFRS. The Group adopts the standard from 1 July 2018. 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. The Group is currently reviewing and revising its methodologies for recognising revenue from customers. From assessments performed to date, the Group has determined that the eventual impact of NZ IFRS 15 for the year ending 30 June 2019 will depend on outcomes arising from the ongoing revenue process review. Therefore, the Group is not currently in a position to quantify the projected financial impact of adoption.

- NZ IFRS 16 Leases 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 plans to adopt the new standard from 1 July 2019. In FY 2019, the Group will continue to assess the potential effect of NZ IFRS 16 on its consolidated financial statements.

- NZ IFRS 9 Financial Instruments introduces new requirements for classification and measurement, impairment and hedge accounting. NZ IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group intends to adopt NZ IFRS 9 from 1 July 2018. No significant changes are expected as a result of the classification, measurement and impairment requirements of NZ IFRS 9.

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.

Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in the acquisition is measured at fair value at the acquisition date. Acquisition-related costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Goodwill is initially measured at cost, being the excess of the consideration transferred and the fair value net of identifiable assets acquired and liabilities assumed. Any gain on a bargain purchase is recognised in profit or loss immediately. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received 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 include:

- investment securities: interest-bearing securities
- 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.

Fair value hedges

Derivative financial instruments, whose purpose is to match the changes in fair value of long-dated term deposit assets as interest rates change, are designated as fair value hedges. For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in profit or loss. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the consolidated statement of financial position and is also recognised in profit or loss.

(ii) Loans and receivables

Financial assets in this category include:

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

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, loans and receivables are carried at their amortised cost, in accordance with the effective interest rate method, less impairment.

Loans and receivables (other than advances secured by mortgage) 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 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 any 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 unit 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. Further details on the methodology and assumptions used are outlined in note 10.

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 tax is provided using the liability method on:

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

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

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

Goods and services tax

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

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

Receivables and payables are recognised inclusive of any applicable GST.

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

Revenue

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 other 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 the following two consolidated statement of financial position line items:

- Liabilities to clients – at call or short term
- Liabilities to clients – term deposits.

4 Supplementary information

Crown guarantee

The capital and interest on client deposits (liabilities to clients) in Public Trust's Common Fund is government guaranteed.

The guarantee on capital for those deposits is provided by section 52 of the Public Trust Act 2001 and is not time-limited. The interest on client deposits is covered by a government guarantee provided under section 65ZD of the Public Finance Act 1989.

On 22 May 2018, Fitch reaffirmed a credit rating to Public Trust of AA on the basis of Public Trust's legal status, control and oversight and that support from the New Zealand Government would be forthcoming if needed.

5 Investment securities

	2018 ($000)	2017 ($000)
Designated at fair value through profit or loss		
Interest-bearing securities		
State-owned enterprises	10,096	15,059
Mortgage-backed securities	653	1,216
Corporates	54,300	122,684
	65,049	**138,959**
Loans and receivables		
Term deposits subject to fair value hedges		
Banks	15,481	33,057
State-owned enterprises	-	16,189
Term deposits		
Banks	255,951	239,774
State-owned enterprises	15,030	15,065
	286,462	304,085
Total investment securities	**351,511**	**443,044**

Fair value measurements of financial assets measured at fair value in the consolidated statement of financial position

State-owned enterprise and corporate-interest bearing securities are classified as level 2 of the fair value hierarchy. The valuation technique used to determine the fair value of these securities is the net present value method. The inputs used to determine fair value measurements are daily market yields published by the New Zealand Financial Markets Association.

Mortgage-backed securities are classified as level 3 of the fair value hierarchy. Fair value of these securities was determined using market-accepted valuation techniques. The inputs used to determine fair value measurements are quoted prices for similar assets, benchmark yield curves and other market-corroborated inputs, while taking into account the different asset pool characteristics and subordination profile of the evaluated securities.

The table below provides the reconciliation of the opening balance of mortgage-backed securities to their closing balance.

	2018 ($000)	2017 ($000)
Opening balance	1,216	1,547
Movements through profit or loss		
Net gains (losses) on financial assets at fair value	73	52
Movement in accrued interest	(1)	(2)
Sales	(635)	(381)
Closing balance	**653**	**1,216**

Fair value measurements of financial assets for which the carrying value in the consolidated statement of financial position differs from the fair value

The carrying amount of the term deposits equate to their fair value, except for term deposits that are not subject to fair value hedges.

Term deposits subject to fair value hedges are classified as level 2 of the fair value hierarchy. The valuation technique used to determine the fair value of these term deposits is the net present value method. The inputs used to determine fair value measurements are interest rates from market cash rates, futures and interest rate swaps.

The table below shows the carrying amount and fair value of term deposits that are not subject to fair value hedges.

	Carrying amount 2018 ($000)	Fair value 2018 ($000)	Carrying amount 2017 ($000)	Fair value 2017 ($000)
Term deposits				
Banks	255,951	260,579	239,774	242,187
State-owned enterprises	15,030	15,076	15,065	15,079

Interest rate risk

The Group's interest rate risk arises from its investments in interest-bearing securities and term deposits and associated derivative financial instruments. The objective of the interest rate risk management policy is to mitigate adverse changes in the fair value of financial liabilities versus financial assets due to changes in applicable interest rates. This is achieved by investing in assets with similar interest rate resetting terms to those of the financial liabilities.

Exposures to interest rate risk are monitored by management on a daily basis and reported to the Investment Committee quarterly. The interest rate risk exposure, including all derivative financial instruments, is assessed using the value-at-risk (VaR) method. This method measures the range within which the value of assets or liabilities may fluctuate with a certain probability over a certain period of time (the holding period), given the actual interest rates observed each business day during the prior 12 months.

The Group uses a 95% confidence interval (i.e. there is a 5% probability that the impact from market fluctuations exceeds the level calculated) and assumes a 1-year holding period. The 1-year VaR at 95% confidence level is $45,000 in 2018 (2017: $81,000). This is applied to the full range of interest-bearing financial assets and liabilities, irrespective of whether those instruments are calculated at fair value or otherwise. The resultant measure is the true economic loss rather than that which would be immediately recognised.

The assumptions on which VaR is based do have some limitations, including the following:

- A 1-year holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations where there is severe general market illiquidity.
- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the VaR model used, there is a 5% probability that losses could exceed VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. VaR of an unchanged position reduces if market price volatility declines and vice versa.
- VaR does not include the impact of changes in the weighted average life of mortgage-backed securities. It reflects potential VaR arising from interest rate and credit spread movements.

Notes to the consolidated financial statements

Credit risk

Through its investments in securities and deposits, the Group is also exposed to credit risk. Credit risk of investment securities is managed by a series of policy limits, including minimum credit ratings and total exposure limits to individual ratings categories, industries and types of securities.

The overall credit risk of the investment portfolio is measured using the weighted average rating factor method. This, together with any changes in security ratings, is monitored daily by management and reported to the Investment Committee on a quarterly basis.

The credit quality of investment securities that are neither past due nor impaired is provided in the following table.

	2018 ($000)	2017 ($000)
Long-term credit rating		
AAA	-	1,216
AA	-	-
AA-	40,075	64,337
A+	-	-
A	52,192	50,177
A-	5,043	5,027
	97,310	120,757
Short-term credit rating		
A1+	216,754	181,217
A12	55,144	148,306
A2	9,981	11,517
	281,879	341,040
Unrated – other financial assets*	13,125	15,222
Total financial assets	**392,314**	**477,019**

*Other financial assets comprise trade receivables, advances to clients and advances secured by mortgage.

6 Derivative financial instruments

	2018 ($000)	2017 ($000)
Liabilities		
Interest rate swaps		
Fair value hedge accounted	193	568
	193	**568**

Fair value measurement

Derivative financial instruments are classified as level 2 of the fair value hierarchy. The fair value of interest rate swaps is based on the quoted market interest rates and the associated discounted cash flows.

Financial risks

The Group is exposed to interest rate risk arising from derivative financial instruments. Refer to note 5 for more information about the Group's policy for managing interest rate risk.

The Group is also exposed to liquidity risk arising from derivative financial liabilities. The table below shows the timing of gross contractual cash flows of the Group's derivative financial liabilities.

	Carrying amount ($000)	Contractual cash flows ($000)	1 year or less ($000)	1–2 years ($000)	2–3 years ($000)
2018					
Interest rate swaps					
Fair value hedge accounted	193	117	54	54	9
	193	**117**	**54**	**54**	**9**
2017					
Interest rate swaps					
Fair value hedge accounted	568	589	589	-	-
	568	**589**	**589**	**-**	**-**

7 Trade receivables and work in progress

	2018 ($000)	2017 ($000)
Accrued interest		
Fees receivable from the Crown	24	19
Receivables of uncertain timing*	252	185
Fees receivable	2,903	2,595
Work in progress**	2,351	3,803
	9,859	**11,551**
Collective impairment allowance – receivables of uncertain timing		
Opening balance	(240)	(250)
Charge for year	(30)	10
	(270)	**(240)**
Collective impairment allowance – fees receivable		
Opening balance	(348)	(128)
Charge for year	(704)	(220)
	(1,052)	**(348)**

*Receivables of uncertain timing represent estate administration charges where payment is not due until an uncertain point in the future. These charges relate to estates with life tenants whereby payment will be received when the estate is wound up on the death of the life tenant.

**Work in progress represents the time incurred in providing trustee and estate administration services that has not yet been invoiced to the clients.

The carrying amount of the trade receivables and work in progress equates to its fair value and is presented net of specific and collective impairment allowances.

Customer credit risk

Credit risk is the risk that a customer fails to meet its contractual obligations.

Provisions have been applied to trade receivables, work in progress and receivables of uncertain timing where there are indicators of low credit quality. The credit quality of receivables that are neither past due nor impaired is considered to be high because Public Trust acts as trustee or administrator for most of these debtor clients and therefore generally has first call over the clients' assets.

For receivables of uncertain timing, the future cash flows have been discounted using the prevailing New Zealand Government bond yield rates at the reporting date. 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.

The following table provides an ageing profile of the Group's trade receivables.

	Work in progress ($000)	Neither past due nor impaired ($000)	Past due but not impaired				Total
			1–30 days ($000)	31–60 days ($000)	61–90 days ($000)	More than 90 days ($000)	
2018	4,329	4,242	511	270	145	362	**9,859**
2017	4,949	3,570	772	316	321	1,623	**11,551**

8 Advances to clients

Customer credit risk

The Group is exposed to credit risk arising from advances to its clients. Advances to clients include client overdrafts and advances to client beneficiaries. The Group manages and controls this credit risk by setting limits for each customer based on their particular risk profile. Outstanding advances of age greater than 3 months are brought to the attention of senior management and require their approval if maintaining or increasing the advance.

The credit quality of advances to clients that are neither past due nor impaired is considered to be high as Public Trust is trustee and administrator of the clients and generally has first call over the clients' assets. The allowance for impairment as at 30 June 2018 is $14,000 (2017: $13,000).

9 Income tax

Tax benefit comprises	2018 ($000)	2017 ($000)
Deferred tax		
Origination and reversal of temporary differences	1,970	(1,043)
Recognition of previously unrecognised deferred tax losses	(2,470)	(8,120)
Tax benefit	**(500)**	**(9,163)**

In 2018, a deferred tax benefit of $0.5 million has been recognised, which increases the overall deferred tax asset to $9.663 million. This deferred tax asset represents the expected benefit of utilising tax losses against taxable profit and taxable temporary differences in the foreseeable future. The benefit was recognised on the basis that Public Trust has demonstrated consistent profitability over the past 3 financial years following significant organisational transformation and the implementation of a new organisation-wide operating platform. Profits are forecast to continue improving, and any increase in tax losses that may be incurred in the coming years will be as a result of temporary differences arising from amortisation of Public Trust's operating platform.

Reconciliation of tax benefit and the accounting profit:

	2018 ($000)	2017 ($000)
Profit before tax	2,616	3,897
Income tax at 28%	732	1,091
Non-deductible expenses for tax purposes	6	18
Adjustments in respect of deferred income tax of previous years	-	(2,994)
Prior period adjustment	312	213
Utilisation of previously unrecognised tax losses	(1,550)	(7,491)
Tax benefit	**(500)**	**(9,163)**

The deferred tax asset comprises:

	2018 ($000)	2017 ($000)
Accounts receivable	755	575
Property, plant and equipment and intangible assets	(3,194)	(1,164)
Employee benefits	985	951
Provisions	490	633
Prepaid estate administration	20	24
Other	17	24
Tax losses	10,590	8,120
Deferred tax asset	**9,663**	**9,163**

The Group has unused tax losses of $20,654,350 (2017: $25,787,347).

10 Intangible assets

Transaction details	2018 ($000)	2017 ($000)
Intangible IT assets		
Cost		
Opening balance	32,987	10,913
Additions	-	51
Transfers from intangible assets in development	1,834	25,970
Disposals	-	(3,947)
Closing balance	**34,821**	**32,987**
Accumulated amortisation and impairment		
Opening balance	(7,751)	(9,454)
Amortisation for the year	(3,074)	(2,220)
Disposals	-	3,923
Closing balance	**(10,825)**	**(7,751)**
Net carrying value	**23,996**	**25,236**
Intangible assets in development		
Opening balance	774	18,968
Additions	1,318	7,776
Transfers to intangible IT assets	(1,834)	(25,970)
Closing balance	**258**	**774**
Goodwill arising on acquisition		
Opening and closing balance	2,505	2,505
Carrying value of intangible assets	**26,759**	**28,515**

Goodwill has been allocated to the Corporate Trustee Services CGU, being the lowest level of asset group for which there are separately identifiable cash inflows. Goodwill allocated to Corporate Trustee Services is 100% of the Group's total carrying amount of goodwill.

The inputs to the 2018 goodwill impairment test were unchanged from those of the detailed 2016 impairment test. However, management has reassessed this in 2017 and 2018. No significant changes or events occurred since the detailed test that could have resulted in the CGU's recoverable amount declining below its carrying value. Key judgements and assumptions from the 2016 impairment test were as follows:

- The recoverable amount of the CGU was $54.64 million calculated on the basis of value in use, using a discounted cash flows model.
- Future cash flows were projected out 5 years, based on the approved business plans for the years ending 30 June 2017 to 30 June 2021, with key assumptions being funds under supervision, business development initiatives and operating costs. Key assumptions reflect past experience.
- Fee revenue was assumed to remain consistent with the 2016, fee revenue adjusted for changes in funds under supervision over the projected period. Management determined budgeted contribution margin based on past performance and its expectations of market development.
- Growth assumptions taking into account the competitive nature of the market were applied.
- A terminal growth rate of 1.5% was applied.
- A pre-tax discount rate of 10.6% was applied to compute present value.

The key judgements and assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these judgements and assumptions are not expected to cause the recoverable amount of the CGU to decline below the carrying value.

11 Employee benefits

	2018 ($000)	2017 ($000)
Annual leave	1,622	1,555
Long-service leave	1,280	1,393
Salaries accrual	593	589
Performance incentive payments	616	448
	4,111	**3,985**

The calculation of long-service leave assumes a salary increase of 2.5% (2017: 3.0%). An additional 1% increase in salary would increase the provision by $55,000 (2017: $60,000).

The Group contributes towards KiwiSaver and the Government Superannuation Scheme. Contributions to these defined contribution plans were $783,000 in 2018 (2017: $719,000).

12 Provisions

	Restructuring 2018 ($000)	Remedial work and litigation 2018 ($000)	Make good 2018 ($000)	Total 2018 ($000)
Opening balance	522	1,319	421	2,262
Additional provisions made	89	396	8	493
Amounts used	(570)	(227)	(9)	(806)
Unused amounts reversed	-	(199)	-	(199)
Closing balance	**41**	**1,289**	**420**	**1,750**

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. This provision is carried at the estimated amount of cash necessary to settle the obligation. It is expected the sums provided will be paid within 1 year.

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. No insurance reimbursements expected upon the final resolution of such matters have been recognised within sundry receivables (2017: nil).

Make good

The make-good provision relates to contractual obligations resulting from the Group entering into lease contracts. The lease obligations require the Group to make good the condition of the buildings upon terminating the lease and vacating the premises.

13 Equity

Capital management

The Group's core objectives when managing capital are to:

- protect the interests of beneficiaries of the Common Fund
- protect the interests of the Crown
- ensure the safety of the capital position
- ensure the capital base supports the strategic business objectives and the agreed risk appetite
- return any surplus capital to the Crown, where prudently available after meeting the Group's future strategic goals, so that it may be used to fund other Crown priorities.

The objectives are to safeguard the Group's ability to continue as a going concern while building a sustainable long-term financially viable business.

For capital management purposes, capital includes contributed equity, reserves and retained earnings, less the carrying value of intangible assets and deferred tax assets.

The Group maintains a minimum level of capital at all times, which is consistent with its overall risk position.

The Group's working capital is invested in accordance with the investment policy of the Common Fund. There has been no material change in the Group's management of capital from the prior year.

14 Liabilities to clients and trade payables

Due to their short-term nature, the fair value of liabilities to clients is assumed to equate to the carrying value.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations associated with financial liabilities as they fall due.

Public Trust administers trusts and estates on behalf of fiduciary clients. As part of its trustee functions, Public Trust invests the assets of the trusts and estates on behalf of its clients. This is the principal source of Public Trust's liability deposits. Since Public Trust is the decision maker of these deposits, the risk of a sudden substantial withdrawal of deposits is deemed remote.

Historically, the withdrawal of deposits arising from trusts and estates being wound up is largely offset by new deposits arising from the administration of new trusts and estates.

The Group mitigates liquidity risk by managing the maturity schedule of both its assets and its liabilities. On a daily basis, sufficient cash or maturing assets are held to meet all anticipated requirements. In addition, a significant part of the investment portfolio consists of highly marketable securities that can be readily liquidated.

The liquidity position of the Group is monitored daily by management and reported to the Investment Committee on a quarterly basis.

	Carrying amount ($000)	Contractual cash flows ($000)	1 year or less ($000)	1–2 years ($000)	2–3 years ($000)	3–5 years ($000)
2018						
Liabilities to clients – term deposits	195	197	47	106	-	44
Other liabilities	910	910	869	20	19	2
	1,105	**1,107**				
2017						
Liabilities to clients – term deposits	34,808	35,038	31,350	2,039	896	754
Other liabilities	1,085	1,085	1,024	20	39	2
	35,893	**36,123**				

15 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported net in the consolidated 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.

The only entity within the Group to enter into offsetting agreements is the Parent, who has entered into offsetting agreements with various New Zealand-registered bank counterparties in relation to its Common Fund transactional bank accounts and derivative transactions.

All derivative transactions entered into by the Parent are covered by the provisions of an ISDA (International Swap and Derivative Association) master netting agreement. A separate agreement is held with each counterparty although the agreements have common terms and conditions.

The table below sets out the financial assets and financial liabilities subject to offsetting enforceable master netting agreements and other agreements.

	Amounts offset in the consolidated statement of financial position				
	Gross financial assets/ (liabilities) ($000)	Gross financial assets/ (liabilities) set off ($000)	Net financial assets/ (liabilities) presented ($000)	Amounts not offset ($000)	Net amount ($000)
2018					
Cash and cash equivalents	9,390	-	9,390	18,288	27,678
Investment securities	223,324	-	223,324	128,187	351,511
	232,714	**-**	**232,714**	**146,475**	**379,189**
Derivative liabilities	(193)	-	(193)	-	(193)
	232,521	**-**	**232,521**	**146,475**	**378,996**
2017					
Cash and cash equivalents	10,954	(7,381)	3,573	15,181	18,754
Investment securities	203,355	-	203,355	239,689	443,044
	214,309	**(7,381)**	**206,928**	**254,870**	**461,798**
Derivative liabilities	(568)	-	(568)	-	(568)
	213,741	**(7,381)**	**206,360**	**254,870**	**461,230**

16 Audit fees

	2018 ($000)	2017 ($000)
Audit fees	263	316
Audit fees for non-consolidated managed funds	57	73
Other fees paid to auditors*	28	30

*Other fees paid to auditors comprise fees for remuneration benchmarking services and assurance services for risk assessment (AML/CFT).

The carrying amount of the trade receivables and work in progress equates to its fair value and is presented net of specific and collective impairment allowances.

17 Related party transactions

(i) Group information

Ultimate Parent

The Group's ultimate Parent is the New Zealand Crown.

Consolidated subsidiaries

- Trading subsidiary – New Zealand Permanent Trustees Limited – a licensed supervisor until 16 January 2018.
- Non-trading companies – subsidiaries are non-trading and have no assets or liabilities.
- Nominee companies – subsidiaries are nominee companies established to undertake business either on behalf of corporate trustee clients in a fiduciary capacity or Public Trust for its managed funds operation. The assets and liabilities are held under trust, and there is no impact on the Group's financial performance, financial position or cash flows.

All subsidiaries are 100% owned.

Unconsolidated structured entities

- Investment funds – as part of its service offering to customers, the Group operates a number of investment funds, established under the Public Trust Act 2001, to meet investment management needs of customers. At balance date, there were five funds in operation (excluding the Funeral Trust Cash Fund) with unit holders' funds of $507 million. Risk lies with the unit holders of the funds.
- Funeral Trust Cash Fund – the fund is a portfolio investment entity (PIE) managed fund. Funds invested are protected by the Crown guarantee on capital and interest because all fund balances are held within the Common Fund (including revenue earned, investment and cash balances). The Group has significant influence over the fund as it acts as the trustee, manager and administrator of the fund.
- Special purpose vehicles – unconsolidated entities wholly owned by the Group. The shareholdings in these entities are held in a fiduciary capacity on behalf of the beneficial owners. These entities are incorporated for a narrow, well defined objective and operate within contractual financial and operating policies that the Group does not have power to alter. Risk lies with the beneficial owner. The Group receives a predetermined fixed fee directly from the beneficial owner for the fiduciary services provided.

The Group has not provided financial support to the funds and special-purpose vehicles during the year and has no intention to provide support in the future.

(ii) Transactions with related parties

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Year	Fees/interest received from related parties ($000)	Amounts owed by related parties ($000)	Amounts owed to related parties ($000)	Investment securities held with related parties ($000)
Ultimate Parent:					
New Zealand Crown	2018	2,322	252	-	-
	2017	1,881	185	-	-
Crown-related parties					
Stated-owned enterprises	2018	1,216	-	-	25,126
	2017	1,596	-	-	46,313
Group's unconsolidated entities					
Investment funds*	2018	3,997	-	-	-
	2017	3,906	-	-	-
Funeral Trust Cash Fund	2018	-	-	26,679	-
	2017	-	-	28,495	-

*Excluding Funeral Trust Cash Fund.

Terms and conditions of transactions with related parties

All related-party transactions are made at arm's length and on normal terms and conditions.

New Zealand Crown: Revenue from the Crown mainly arises from an output agreement between Public Trust and the Minister of Justice (with the agreement of the Minister of Finance). The agreement covers certain non-commercial services that are either paid for or subsidised by the Crown to ensure that, among other things, reasons of affordability do not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs.

Investment funds: The Group receives management and administration fees under the terms of the trust deeds. The Group does not hold units in the funds. Any outstanding balances with investment funds are unsecured and repayable on demand, and interest is paid at market rates.

(iii) Key management personnel

Key management personnel comprises the Chief Executive and permanent, seconded or contracted members of the Executive. No key management personnel have disclosed that they or their immediate relative or professional associate has any dealing with Public Trust that has been either entered into on terms other than those that, in the ordinary course of business would be given to any other person of like circumstances or by means that could otherwise be reasonably likely to influence materially the exercise of the key management personnel's duties in Public Trust.

Key management personnel compensation comprises:

	2018 ($000)	2017 ($000)
Short-term employee benefits	1,971	2,090
Post-employment benefits	-	33
Termination benefits	83	42
	2,054	**2,165**

18 Commitments and contingencies

	2018 ($000)	2017 ($000)
Analysis of operating lease commitments		
Payable within 1 year	3,829	3,432
Payable after 1 year and within 5 years	5,009	4,760
Payable after 5 years	525	123
	9,363	**8,315**

	2018 ($000)	2017 ($000)
Capital commitments		
Purchase of property, plant and equipment	118	342
Purchase of intangible IT assets	547	370
	665	**8,315**

Contingent liabilities

The Group had no contingent liabilities at 30 June 2018 (2017: nil).

19 Comparison of budget to actual

Assets and liabilities

Financial assets have decreased against budget mainly due to the decrease in investment securities. This decrease in investment securities was mainly due to repayment of client liabilities and repayment of non-fiduciary client funds (third-party deposits). Correspondingly liabilities to clients have also decreased against budget.

Revenue

Net revenue was $1.6 million lower than budget due to decreased fee revenue mainly due to lower retail unit fees. The decrease was partially offset by an increase in investment unit revenue resulting from higher interest margins earned on Common Fund deposits and higher funds under management for the Public Trust Investment Service.

Expenses

Overall expenses increased by $0.94 million as compared to budget mainly due to employee benefits being favourable to budget, partially offset by increases in external contractors and consultants cost during the year due to use of temporary staff on strategic projects such as FMA licensing and controls review projects.

Cash flows

Net inflows from investments and net payments to clients were $41 million and $38 million above budget respectively. This is mainly due to withdrawals for Fee Protect and cash on call funds occurring at higher than expected volumes.

20 Events after the reporting period

There are no events subsequent to the end of the reporting period that require disclosure.

21 Other statutory information

Employee remuneration

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

	2018 Number of employees	2017 Number of employees
$100,000 to $109,999	17	12
$110,000 to $119,999	13	11
$120,000 to $129,999	9	11
$130,000 to $139,999	9	7
$140,000 to $149,999	4	4
$150,000 to $159,999	5	2
$160,000 to $169,999	1	1
$170,000 to $179,999	2	4
$180,000 to $189,999	2	3
$190,000 to $199,999	1	1
$200,000 to $209,999	1	-
$210,000 to $219,999	1	-
$240,000 to $249,999	-	1
$250,000 to $259,999	-	1
$280,000 to $289,999	-	3
$290,000 to $299,999	1	-
$310,000 to $319,999	2	-
$320,000 to $329,999	1	1
$460,000 to $469,999	-	1
$520,000 to $529,999	1	-

Remuneration is inclusive of payments for leave entitlements and, for those employees who left Public Trust's service during the year, exclusive of any compensation or other benefits paid in respect of employment cessation.

Employment cessation payments

During the year, 108 permanent and fixed-term employees received collectively $646,555 relating to the cessation of their employment with Public Trust (2017: 95 employees received a total of $1,491,913).

Insurance and indemnities

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

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

Board member remuneration

	Board 2018 ($000)	Subcommittee 2018 ($000)	Board 2017 ($000)	Subcommittee 2017 ($000)
Ian Fitzgerald (appointed 22 May 2017)	51	-	6	-
Fiona Oliver	35	5	35	6
Graham Naylor (appointed 1 November 2016)	28	4	18	3
John Duncan	28	1	26	3
Bevan Killick (appointed 1 November 2016)	28	1	18	1
Dianne Williams (appointed 1 November 2016)	28	4	18	1
Simon Craddock	28	1	27	3
Sarah Roberts (term ended 31 August 2017)	9	-	56	-
Dinu Harry (term ended 31 October 2016)	-	-	9	2
Diana Puketapu (term ended 31 October 2016)	-	-	10	2
Lyn Lim (term ended 30 June 2017)	-	-	31	4

Independent auditor's report

To the readers of Public Trust's Group Financial Statements and Performance Information for the year ended 30 June 2018.

The Auditor-General is the auditor of Public Trust and its subsidiaries (the Group). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the Group on pages 35 to 63, that comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 30 to 31.

In our opinion:

- the consolidated financial statements of the Group on pages 35 to 63:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information on pages 30 to 31:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2018 including:
    - for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the financial statements and the performance information* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit we have carried out audits of collective investment schemes managed by Public Trust and engagements in the areas of anti-money laundering compliance and market-based salary benchmark information, which are compatible with the independence requirements. Other than the audit and the additional audits and engagements, we have no relationship with or interests in the Group.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 29, 32 to 34 and 67, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Group for the preparation and fair presentation of financial statements and performance information in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004, the Public Trust Act 2001 and the Financial Markets Conduct Act 2013.

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

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Our responsibilities arise from the Public Audit Act 2001.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand
19 September 2018

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