

# The Public Trustee

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## Annual Report 2005 - 2006



THE PUBLIC TRUSTEE  
For all Tasmanians. Since 1853

The Hon Steven Kons MHA  
Attorney General, Minister for Justice and Industrial Relations,  
and Minister for Environment and Planning  
Level 10, 10 Murray Street  
HOBART TAS 7000

Dear Minister,

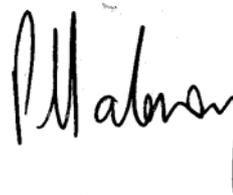
In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we submit for your information and presentation to Parliament the Report of The Public Trustee for the year ended 30 June 2006.

The Report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

Yours faithfully,



Ann Cunningham  
Chairperson  
The Board of The Public Trustee



Peter Maloney  
Chief Executive Officer  
The Public Trustee

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## Responsible Minister

The Public Trustee is directly responsible to the Attorney General & Minister for Justice and Industrial Relations for the administration of its principal legislation and for ensuring The Public Trustee is managed in accordance with sound commercial practices.

## Principal Legislation

Two Acts of Parliament comprise the principal legislation affecting The Public Trustee.

- The *Public Trustee Act 1930* is the Portfolio Act and sets out the organisation's basic powers and duties.
- The *Government Business Enterprises Act 1995* creates the corporation and determines how The Public Trustee is operated and controlled.

## Main Undertakings

The main undertaking of The Public Trustee is to offer trustee services to the Tasmanian community by:

- preparing wills and enduring powers of attorney
- acting as an executor of estates, or estate administrator if there is no will
- assuming the role of executor when a person named in a will is unable or unwilling to act
- assisting executors and trustees in their duties
- acting as attorney for people requiring assistance to manage their financial affairs
- acting as trustee for various types of trusts including accident compensation awards
- assisting people to manage their financial affairs when The Public Trustee is appointed as a financial administrator by the Guardianship and Administration Board
- managing funds under the control of The Public Trustee in order to provide a commercial rate of return to contributors.

# Our Mission, Vision and Values

Throughout The Public Trustee, we seek to apply our mission, vision and values to decision making, programs and policies at every level, every day.

The Mission states the purpose of The Public Trustee - the reason for our existence.

The Vision is the goal for the future; it states where The Public Trustee, as an organisation, is heading.

The Values guide our behaviour and are based on the shared beliefs of the employees, management and Board of Directors of The Public Trustee.

## Mission Statement

The mission of The Public Trustee, as a Government Business Enterprise, is to offer quality, independent trustee services to the Tasmanian community.

## Vision Statement

The vision of The Public Trustee is to be commercially successful and respected as a progressive and accessible specialist in the provision of trustee services to all Tasmanians.

## Values Statement

In seeking to achieve the mission and vision of The Public Trustee, the primary values of The Public Trustee will be:

- personal and professional respect for each other and our clients
- a client service focus
- a commercial orientation in our business activities in order to ensure we deliver value to our clients and the community
- professional excellence in service delivery
- professional and personal integrity in carrying out our responsibilities.

# Chairperson's Report

I am pleased to present the Annual Report for the year ending 30<sup>th</sup> June 2006.

The 2005-06 financial year has witnessed the continued consolidation of The Public Trustee as a commercially driven, successful Government Business Enterprise within the Tasmanian community. This reflects our corporate value to adopt a commercial orientation in our business activities in order to ensure that we deliver value to our clients and the Tasmanian community.

In the financial year in review, the organisation once again achieved an exceptional financial result – a net operating profit after tax of \$1.273M, an increase of 7% on the previous year. Important points to note about the financial performance are:

- Overall revenue was 5% higher than last year. A significant component of the increased revenue derived from property revaluations.
- Within overall revenue, commission and fees are down 3% on last year. However, this needs to be considered in the context that last year there was an unusual one off event which led to a significant increase in income commission, which will not be repeated.
- Capital commission was 3% higher than last year.
- Operating expenses increased by 8% due primarily to increases in staffing costs due to the filling of vacant staff positions and increases in salaries arising from the State Service Wages Agreement.

The financial result is particularly pleasing given the increase in operating expenses and the one off significant increase in commission last year.

The combined effect of the operating result, property revaluations and changes to RBF liabilities, has resulted in an increase in net tangible equity from \$160,000 to \$1.834M.

Funds under management continues to be a core area of operation for the business. Funds under management as at 30 June 2006 were \$120M, with total assets under administration amounting to \$163M.

The deposit rate paid by The Public Trustee's Common Fund during the year was competitive and reflected market trends. Interest rates paid to contributors ranged from 4.40% to 5.13%.

The Public Trustee has three diversified group investment funds (No 1, No 2 and No 3), which have exposure to varying allocations of defensive and growth assets. These were established in May 2004 and have provided annualised returns of 8.98%, 13.79% and 15.87% respectively to the end of 30 June 2006.

At its annual planning day, the Board worked with management to identify strategies for potential business growth focusing on both short and long term outcomes for the organisation.

In last years report, I advised about actions the Board had taken to improve its performance and governance. In the year in review, the Board decided that as part of its commitment to proper governance, all directors should complete and pass the Australian Institute of Company Directors course. I am pleased to say that all Directors are now graduates of the AICD. The Board is committed to best practice and has implemented a process of self-evaluation of Board performance.

On behalf of the Board I acknowledge the role of the Portfolio Minister the Honourable Judy Jackson who retired earlier this year. We look forward to an ongoing effective working relationship with the new Portfolio Minister the Honourable Steven Kons MHA as well as the new Stakeholder Minister the Honourable Michael Aird MLC.

I would like to express my thanks to the Directors of the Board of The Public Trustee, Ms Elizabeth Thomas, Mr John Fisher and Mr Craig Stephens for their dedication and commitment. I also would like to extend my thanks to the work of the Audit Committee chaired by Elizabeth Thomas and the Investment Committee chaired by John Fisher.

I would also like to thank the Chief Executive Officer, Peter Maloney for his ongoing dedication to the organisation and acknowledge the service of our committed and hard working employees.

Since becoming a Government Business Enterprise, the Board and staff of The Public Trustee have worked to balance the commercial imperatives of the organisation with its commitment to deliver the Governments social policy objectives. This will continue to be a challenge for the organisation but with the commitment of the Board and staff, The Public Trustee is well positioned to meet it.



**Ann Cunningham**  
Chairperson  
Board Of The Public Trustee

# Chief Executive Officer's Report

It is with pleasure that I present my report for what has once again been a successful year.

We have achieved an exceptional financial result. Although this is partially due to one off factors, nevertheless, The Public Trustee is now in a strong financial position. This will underpin the future financial performance of the organisation.

In the year in review, the organisation had both an internal as well as an external focus. A number of internally focused issues were addressed which were designed to improve the performance of the organisation, which will ultimately lead to improved client service.

Foremost amongst these was a review of the current executive management structure, which had been in place for some years. The review resulted in a restructure of Executive Management Team, with changed roles, responsibilities and reporting structures. It has resulted in a more integrated business in terms of strategic alignment at the executive management level.

The Public Trustee has maintained and developed its professional development program that ensures staff have current and relevant technical skills. This year the program has been enhanced with the creation of a learning and development position within the organisation to give greater focus and impetus to our training program. We also commenced the groundwork to establish a formal coaching system within the organisation, which will be introduced in the current financial year.

The organisation also reviewed its performance management system. As a result, changes have been made to it which will give all staff a clearer understanding as to our expectations of them. A robust performance management system is fundamental to the overall improvement in organisational performance. Part of this system includes structured career management planning which identifies specific ongoing professional development needs which feeds into our structured training and development program.

A communication plan for the whole organisation was developed to assist in improving two way communication at all levels in the organisation.

We also continued to monitor our external client service by a variety of methods.

In relation to our service standards that measure us against professionalism, timeliness and communication, overall we achieved 91% of all service standards, which is a very good result.

As I pointed out in previous reports, we survey our estate beneficiaries upon completion of our work in order to obtain qualitative information about our service, in order to facilitate continuous improvement.

For the year in review, we distributed 830 surveys, with a 39% response rate. Of those beneficiaries who responded, 75% stated that their experience in dealing with The Public

Trustee, either met or exceeded their expectation. We have put in place strategies to address issues identified in the surveys. One of those was the establishment of communication standards, which are to be complied with throughout the whole organisation.

We also survey our will clients. In the year in review 750 surveys were distributed, with a 41% response rate. Of those who responded, virtually 100% stated that their experience in dealing with The Public Trustee met or exceeded their expectation. This is an excellent result and reflects well on those who provide this service in The Public Trustee.

In the year in review, new business in our core business areas was comparable with previous years. In the past year there was a significant increase in the number of persons whose financial affairs we manage after being appointed by the Guardianship and Administration Board. Given the demographics of the Tasmanian population, this is likely to be a growing area in the future, which will need to be monitored for its resource, skills and training implications for the organisation.

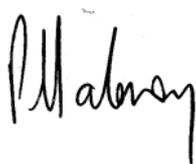
We achieved 83% of the new will target and 78% of the revised will target. Marketing strategies have been identified for the current financial year to increase performance in these areas.

Public presentations and seminars continued to be a key focus of the organisation. In the year in review we provided 44 seminars and presentations to a variety of groups and organisations throughout the state. In this way The Public Trustee demonstrates its commitment to the Tasmanian community by providing it with information and education about important issues which effect their lives.

In conclusion I would like to record my thanks to Ann Cunningham as Chairperson of the Board of The Public Trustee and my fellow Directors. The particular perspectives and skills they contribute to the organisation are invaluable. I particularly appreciate their advice and support to me, which they provide willingly.

I would also like to record my appreciation to the team at The Public Trustee. Without their support and dedication we would not have achieved the results that we have in the past year.

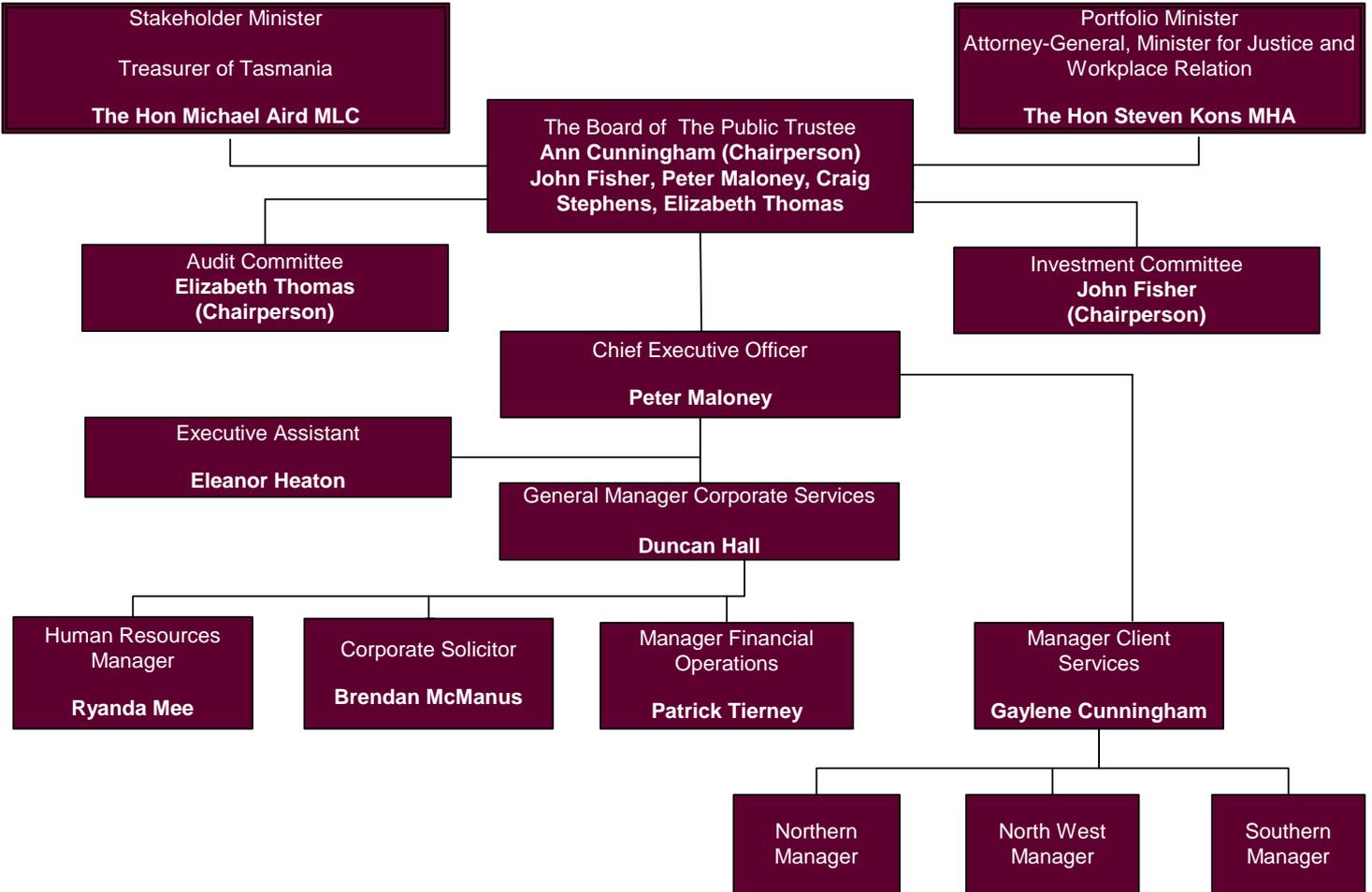
The Public Trustee has completed 11 years as a Government Business Enterprise. Much has changed in that time. We have at all times strived to be a commercially focused organisation providing high quality trustee services to all of the Tasmanian community. With the assistance of the Board and the team at The Public Trustee we will continue to demonstrate that it is possible to operate profitably whilst still treating people with dignity and respect.



**Peter Maloney**  
Chief Executive Officer

# Structure of The Public Trustee

## Parliament



# The Board of The Public Trustee

In accordance with the provisions of the *Government Business Enterprises Act 1995*, the Board of The Public Trustee is responsible to the Portfolio Minister (the Attorney General, Minister for Justice and Industrial Relations, and Minister for Environment and Planning) for ensuring that:

- the business and affairs of The Public Trustee are managed and conducted in accordance with sound commercial practice
- The Public Trustee performs its functions and achieves its legislative and corporate plan objectives.

On that basis, the Board's principle objective is to maintain and increase shareholder value while ensuring The Public Trustee's overall activities are properly managed.

The Board has established audit and investment committees to support it in matters that require more intensive review. Generally, the Board and investment committee meet monthly - the audit committee meets every two months.

The audit committee oversees the integrity of internal control and risk management strategies. The investment committee advises the Board on the investment of money held by The Public Trustee in trust, including funds invested in the common fund and group investment funds.

The Board delegates responsibility for the day to day management of the business and oversight of the implementation of strategies approved by the Board in the strategic plan to the Chief Executive Officer.

## **Ann Cunningham**

Chairperson of the Board of The Public Trustee May 2004

Board Member of The Public Trustee since April 2000

Member of the Audit Committee

Member of the Investment Committee

Ms Cunningham is a barrister and solicitor and senior member of the Administrative Appeals Tribunal, presiding member of The Resource Management and Planning Appeals Tribunal, Deputy President of the Mental Health Tribunal and Complaints Commissioner at the University of Tasmania. Ann is also an accredited mediator and arbitrator and is a graduate member of the Australian Institute of Company Directors.

## **John Fisher**

Chairperson of the Investment Committee  
Member of the Audit Committee until March 2003  
Board Member of The Public Trustee since August 1996

Mr Fisher is the General Manager, Financial and Business Services for the Department of Economic Development. He has responsibility across all industry sectors for high level financial analysis of all new and existing proposals for Government financial and other types of development support.

He is a graduate member of the Australian Institute of Company Directors and has held directorships on the boards of Australian Weaving Mills Pty Ltd and Antarctic Climate and Ecosystems Cooperative Research Centre.

John is a member of the Investment Advisory Committee for First Tasmania Investments Limited, a local venture capital fund.

## **Peter Maloney**

Board Member of The Public Trustee since August 1996  
Member of the Investment Committee since August 1996  
Chairperson of the Board of The Public Trustee May 2001- February 2003  
Chief Executive Officer of the Public Trustee February 2003

A barrister and solicitor and formerly a Senior Executive with the Department of Justice and Industrial Relations. Mr Maloney has ten years of Board experience at The Public Trustee and an extensive background in senior government administration. He is a graduate member of the Australian Institute of Company Directors.

## **Craig Stephens**

Board Member of The Public Trustee since October 2004  
Member of the Audit Committee

Craig is the Managing Director of Horwath Tas Pty Ltd and a graduate member of the Australian Institute of Company Directors. He is a Chartered Accountant with over 25 years experience in the provision of business consulting and audit services.

## **Elizabeth Thomas**

Board Member of The Public Trustee since September 1995  
Chairperson of the Audit Committee - March 2003

Ms Thomas brings nearly 20 years of trustee industry knowledge and experience to the Board and the audit committee. Elizabeth works as a business consultant specialising in strategic planning and management development. Elizabeth is a graduate member of the Australian Institute of Company Directors, a Commissioner on the Tasmanian Gaming Commission and a member of the Police Review Board.

# Corporate Plan

The Public Trustee's corporate plan serves two main purposes:

- it provides a clear vision of the valuable contribution The Public Trustee can make to the Tasmanian community
- it establishes practical initiatives that must be taken to ensure the vision contained in the plan becomes a reality.

Strategic initiatives contained in the 2006-07 to 2008-09 corporate plan focus on:

- building the business base to ensure the commercial success of The Public Trustee as a Government Business Enterprise
- analysing the changes in Tasmania's demography to identify the impact on the future business of the organisation.
- building relationships with stakeholders in order to improve client service delivery.

## Statement of Corporate Intent

The Statement of Corporate Intent has been prepared pursuant to Section 41 of the *Government Business Enterprises Act 1995*.

### a) Business Definition

The scope of the principal commercial activities undertaken by The Public Trustee are:

- to provide the general community with access to professional advice and service in relation to Trustee services including wills, estate administration, trust management and powers of attorney
- to protect the financial interests of individuals under a legal, physical or intellectual disability where The Public Trustee is appointed to act on their behalf
- to assume responsibility for administering estates and trusts, irrespective of their value.

### b) Business Direction

The general business direction of The Public Trustee for the forecast period is to perform its functions and exercise its powers so as to be a successful business by:

- operating in accordance with sound commercial practices
- operating efficiently and maximising the net worth of the business
- maximising the sustainable return to the State in accordance with the corporate plan and to perform, on behalf of the State, any community service obligations in an efficient manner.

**c) Strategic Direction**

The strategic direction for The Public Trustee for the period of the corporate plan will focus on the implementation of initiatives designed to secure market share and improve efficiency and profitability in the organisation's core business activities – estate and trust administration and fund management.

**d) Business Performance Targets**

The business performance targets have been set in accordance with the forecast operating profits during the planning period.

<b>Key Performance Indicators</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
Return on Tangible Assets	3.2%	4.1%	5.1%
Return on Tangible Equity	27%	31%	32%
Net Tangible Equity to Tangible Assets Ratio	9%	11%	13%
Net Profit before tax	\$350,000	\$460,000	\$580,000
Debt to Equity Ratio	N/A	N/A	N/A
Interest Cover Ratio	N/A	N/A	N/A

The notional income from the \$7.98M provision for Retirement Benefits flows to the provision and has the effect of reducing the return on assets.

**e) Distribution Policy and Targets**

The targets are set in accordance with the forecast operating profits during the planning period.

	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
Dividends	\$310,000	\$135,000	\$172,500
Income tax equivalent payments	\$80,000	\$115,000	\$150,000
Guarantee fees	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$390,000</b>	<b>\$250,000</b>	<b>\$222,500</b>
Dividend payout ratio	50%	50%	50%

**f) Capital Structure**

The equity of The Public Trustee is made up of a single reserve constituting accumulated retained profits.

No significant changes to the capital structure of The Public Trustee are envisaged during the planning period.

# Financial Commentary

## Financial Performance Indicators

The Public Trustee's corporate plan targets and key financial performance indicator results for 2005 – 2006 were:

	<b>Corporate Plan Target 2005-2006</b>	<b>Actual for 2005-2006</b>
<b>Return on Tangible Assets</b>		
Earnings before interest & Tax / Total Tangible Assets	3.8%	14%
<b>Return on Tangible Equity</b>		
Earnings after Tax / Net Tangible Assets	32%	127%
<b>Net Tangible Equity to Tangible Assets Ratio</b>	2.9%	10%

The notional income generated from the \$7.98M provision for retirement benefits flows through to the provision and has the effect of reducing the stated return on assets.

Future income tax benefits represented 19% of total assets and 59% of net assets as at 30<sup>th</sup> June 2006 and have the effect of reducing the return on assets and profit to equity ratios.

## Payments to Consolidated Fund

The Public Trustee's payments to the Consolidated Fund for 2005-2006 compared with the previous year were:

	<b>2004-2005</b>	<b>2005-2006</b>
Dividend	Nil	Nil
Income Tax Equivalent Payment	\$240,978	\$470,231
Guarantee Fee	Nil	Nil
<b>TOTAL</b>	<b>\$240,978</b>	<b>\$470,231</b>

## Capital Structure

The Public Trustee has no corporate borrowings. The equity of The Public Trustee is wholly represented by retained earnings.

## Distribution Targets

The targets for distribution and payments to the Consolidated Fund in 2006-2007 are:

Guarantee Fee	\$0
Income Tax Equivalent Payment	\$80,000
Dividend	\$310,000
<b>TOTAL</b>	<b>\$390,000</b>

## Statement on Superannuation Entitlements

The superannuation entitlements of the majority of staff are determined by the defined benefit scheme of the *Retirement Benefits Act 1993*. In relation to staff not entitled under the defined benefit scheme, employer contributions have been made to complying superannuation funds as required by the *Commonwealth Superannuation Guarantee Act*.

## Procurement Contracts

The Public Trustee had no procurement contracts in place as at 30<sup>th</sup> June 2006 valued at more than \$50,000.

## Support for Tasmanian Business

The Public Trustee supports Tasmanian business by sourcing all services and supplies within Tasmania where those services and supplies are competitively available at the standard required by The Public Trustee.

## Staffing

As at 30<sup>th</sup> June 2006 The Public Trustee employed 48 staff on a full time equivalent basis.

## **Community Service Obligation Payments**

In accordance with the provisions contained in Part 9 of the *Government Business Enterprises Act 1995*, community service obligations have been declared to encompass the responsibility of The Public Trustee to administer estates, trusts and the financial affairs of represented persons, notwithstanding that the financial value of these matters prohibits full cost recovery. As at 30<sup>th</sup> June 2006, matters classified as community service obligations accounted for 53% of the matters administered by The Public Trustee.

The Treasurer, as purchasing minister, enters into an agreement with The Public Trustee to fund the provision of community service obligations. The funding received by The Public Trustee in 2005-06 was \$793,000.

# Superannuation Certificate

I, Ann Cunningham, Chairperson of The Board of The Public Trustee hereby certify that The Public Trustee has met its obligations under the Commonwealth's Superannuation Guarantee (Administration) Act 1992 in respect of those employees of The Public Trustee who are members of the following complying superannuation schemes to which The Public Trustee contributes.

- Retirement Benefits Fund Board
- Fiducian Life Superannuation
- Axis Retirement Solutions
- AXA Australia Superannuation Fund
- Tasplan Superannuation Fund
- Colonial Superannuation Retirement Fund
- ING Life Limited Masterfund
- Macquarie Super Options



Ann Cunningham  
Chairperson  
Board Of The Public Trustee

# **The Public Trustee**

## **Financial Statements**

**2005-2006**

# Statement of Certification

In the opinion of the directors of The Public Trustee

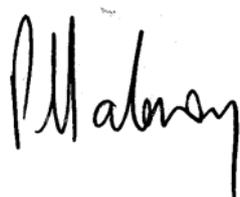
- (a) the attached financial statements are drawn up so as to give a true and fair view of the results and cash flows for the year ending 30<sup>th</sup> June, 2006 and the state of affairs as at 30<sup>th</sup> June, 2006 of The Public Trustee;
- (b) the accounts have been prepared in compliance with the provisions of the Government Business Enterprises Act 1995 and Treasurer's Instructions issued under that Act;
- (c) at the date of this statement, there are reasonable grounds to believe that The Public Trustee will be able to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with Australian Accounting Standards and Urgent Issues Group consensus views.

Signed in accordance with a resolution of the directors.



**ANN F. CUNNINGHAM**  
**CHAIRPERSON**  
**BOARD OF THE PUBLIC TRUSTEE**  
**18<sup>th</sup> October 2006**



**PETER M. MALONEY**  
**DIRECTOR**  
**BOARD OF THE PUBLIC TRUSTEE**  
**18<sup>th</sup> October 2006**

**THE PUBLIC TRUSTEE**  
**INCOME STATEMENT**  
For the Year Ended 30 June 2006

	NOTE	2006 \$	2005 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Commission and Fees		4,483,167	4,614,470
Funding of Community Service Obligations		793,000	793,000
Income from Investments	3	414,057	359,688
Profit from Asset Revaluations		587,200	237,200
Other Income		1,396	2,073
		<b>6,278,820</b>	<b>6,006,431</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Salaries and Associated Expenses		2,404,248	2,233,661
Provisions for Employment Benefits		886,501	793,693
Accommodation Expenses		127,717	115,536
Depreciation		63,250	70,926
Administration Expenses		1,290,197	1,219,216
		<b>4,771,913</b>	<b>4,433,032</b>
		<b>1,506,907</b>	<b>1,573,399</b>
<b>PROFIT BEFORE TAX</b>			
Income Tax Expense	24	233,384	378,172
		<b>1,273,523</b>	<b>1,195,227</b>
<b>PROFIT FOR THE YEAR</b>			
		<b>1,273,523</b>	<b>1,195,227</b>

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
For the Year Ended 30 June 2006

Actuarial gain (loss) on defined benefit superannuation fund		547,078	(987,692)
Tax expense related to actuarial gain	24	(164,123)	296,308
		<b>382,955</b>	<b>(691,384)</b>
<b>Net Income recognised directly in equity</b>		<b>382,955</b>	<b>(691,384)</b>
Profit for the Year		<b>1,273,523</b>	<b>1,195,227</b>
		<b>1,273,523</b>	<b>1,195,227</b>
<b>TOTAL RECOGNISED INCOME FOR THE YEAR</b>		<b>1,656,478</b>	<b>503,843</b>

These statements should be read in conjunction with the accompanying notes

**THE PUBLIC TRUSTEE**  
**BALANCE SHEET**  
As at 30 June 2006

	NOTE	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash Assets	4	6,290,803	5,432,536
Receivables	5	450,044	419,043
Other	6	72,072	65,896
<b>TOTAL CURRENT ASSETS</b>		<b><u>6,812,919</u></b>	<b><u>5,917,475</u></b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	7	1,879,469	1,579,285
Investment Property	8	2,500,000	2,262,800
Deferred Income Tax Asset	24	2,613,464	2,631,661
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>6,992,933</u></b>	<b><u>6,473,746</u></b>
<b>TOTAL ASSETS</b>		<b><u><u>13,805,852</u></u></b>	<b><u><u>12,391,221</u></u></b>
<b>CURRENT LIABILITIES</b>			
Payables	9	473,806	537,135
Current Income Tax Liability	24	183,242	265,023
Provisions	10	1,687,437	1,329,703
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>2,344,485</u></b>	<b><u>2,131,861</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	11	7,010,300	7,455,631
Deferred Income Tax Liability	24	3,306	12,446
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>7,013,606</u></b>	<b><u>7,468,077</u></b>
<b>TOTAL LIABILITIES</b>		<b><u><u>9,358,091</u></u></b>	<b><u><u>9,599,938</u></u></b>
<b>NET ASSETS</b>		<b><u><u>4,447,761</u></u></b>	<b><u><u>2,791,283</u></u></b>
<b>EQUITY</b>			
Retained Profits	12	4,447,761	2,791,283
<b>TOTAL EQUITY</b>		<b><u><u>4,447,761</u></u></b>	<b><u><u>2,791,283</u></u></b>

This statement should be read in conjunction with the accompanying notes

**THE PUBLIC TRUSTEE**  
**CASH FLOW STATEMENT**  
For the Year Ended 30 June 2006

	NOTE	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from clients, government & Common Fund		6,209,311	5,679,772
Payments to employees and suppliers		(4,867,048)	(4,086,885)
Income Tax Equivalents Paid		(470,231)	(240,978)
<b>NET CASH PROVIDED BY OPERATING SERVICES</b>	19	<b>872,032</b>	<b>1,351,909</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in investment in Common Fund		(800,000)	(1,350,000)
Payments for property, plant & equipment		(15,161)	(22,084)
Proceeds from sale of property, plant & equipment		1,396	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(813,765)</b>	<b>(1,372,084)</b>
Net increase (decrease) in Cash Held		58,267	(20,175)
Cash at the beginning of the year		232,536	252,711
<b>CASH AT THE END OF THE YEAR</b>	19	<b>290,803</b>	<b>232,536</b>

This statement should be read in conjunction with the accompanying notes

# THE PUBLIC TRUSTEE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The Public Trustee was established under The Public Trustee Act 1930.

#### **(a) BASIS OF ACCOUNTING**

The Government Business Enterprises Act 1995 requires The Public Trustee to keep proper accounts and records of its transactions and affairs, in accordance with the accounting principles which generally apply in commercial practice.

This financial report is a general purpose financial report and has been prepared on an accrual accounting basis and in accordance with Australian Accounting Standards and Urgent Issues Group interpretations. It is prepared on an historical cost basis and does not take into account changing money values, or unless otherwise stated, current valuations of non current assets or liabilities.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 27.

#### **(b) REVENUE RECOGNITION**

##### *Commission and Fees*

Commission and fees are taken progressively throughout the administration of the estates and trusts under the control of The Public Trustee. Commission is charged when the individual assets are realised throughout the course of the administration or at the time of distribution if the asset is transferred to a beneficiary. Fees are either charged at the time the service is performed or at the time the next statement of account for the administration is prepared. Both the volume of work required and the fine legal distinctions that may be necessary to determine when a commission or fee is chargeable render the accruing of these commissions and fees inappropriate.

### *Funding of Community Service Obligations*

Payments under the agreement with Government to provide Community Service Obligations are recognised as they accrue.

### *Interest and Rental Income*

Interest and rental income are recognised as they accrue.

## (c) **INVESTMENTS**

These Financial Statements refer only to the funds owned by The Public Trustee as a corporate entity.

As part of the role of Executor and Trustee, The Public Trustee holds assets in trust on behalf of clients during the course of estate and trust administrations. These assets do not form part of these accounts.

## (d) **DEPRECIATION AND AMORTISATION OF NON CURRENT ASSETS**

Non current assets, excluding freehold land, buildings on freehold land and investment properties, are depreciated over their useful economic lives using the straight-line method of depreciation. Assets are first depreciated in the year of acquisition or from the time the asset is held ready for use.

Freehold land, buildings on freehold land and investment properties are expected to appreciate in value and no depreciation is charged.

Depreciation of Plant & Equipment is on a straight line basis over the anticipated useful life of each asset. The useful lives for major asset classes are 7-10 years for furniture, 3-5 years for electronic and computer equipment and 5 years for fixtures and fittings.

The capitalisation threshold for items of furniture and equipment is \$300.

## (e) **LEASED ASSETS**

Leases under which The Public Trustee assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

### **Finance Leases**

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

### **Operating Leases**

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

### **(f) VALUATION OF FREEHOLD LAND AND BUILDINGS ON FREEHOLD LAND**

The valuations of freehold land and buildings on freehold land are as determined by directors and are based on independent valuations. The independent valuations are obtained every three years.

Potential capital gains tax is only taken into account if the asset is held for sale.

### **(g) GOODS AND SERVICES TAX**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST).

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position.

### **(h) EMPLOYEE ENTITLEMENTS**

Provision is made for employee benefit entitlements accumulated as a result of employees rendering services up to the reporting date. The benefits include wage and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows using market interest rates for terms of maturity approximating the terms of the related liability.

All calculations of liabilities for employee benefit entitlements include on-costs of payroll tax, workers compensation insurance and superannuation.

Sick leave entitlements are non-vested. On the basis of the low level of usage previously experienced by The Public Trustee, the liability for sick leave is not material and no provision has been made.

Liabilities under the RBF defined benefit scheme are calculated by a government appointed actuary. Expenses related to current employment are recognised in the Income Statement. Actuarial gains and losses arise from changes in actuarial assumptions used to calculate the present value on future liabilities and are recognised in the Statement of Recognised Income and Expense.

**(i) RECEIVABLES**

Trade debtors are non-interest bearing and are recognised at the nominal amount due. No provision is made for doubtful debts.

**(j) PAYABLES**

Creditors are carried at cost, are non-interest bearing and normally settled on 30 day terms.

**NOTE 2: CHANGES IN ACCOUNTING POLICY**

Previously, changes in the liability under the RBF defined benefit scheme were fully expensed in the Income Statement. With the adoption of the Australian equivalents of International Financial Reporting Standards (AIFRS), only expenses related to current employment are recognised in the Income Statement. Actuarial gains and losses are recognised in the Statement of Recognised Income and Expense. The full effect of the adoption of AIFRS is reported at Note 27.

Consequent to the adoption of accounting standard AASB 140, investment properties are disclosed and measured separately and changes in value are recognised annually. Previously, investment property assets were disclosed as part of total freehold land and buildings on freehold land and were revalued every three years.

There have been no other changes in accounting policy during the year.

**NOTE 3: INCOME FROM INVESTMENTS**

	2006 \$	2005 \$
Income from the Common Fund	257,660	193,195
Rental Income	156,397	166,493
	<u>414,057</u>	<u>359,688</u>

## **NOTE 4:      CASH ASSETS**

	2006	2005
	\$	\$
Cash on Hand	1,050	1,050
Investment in Common Fund	6,289,753	5,431,486
<b>Total Cash Assets</b>	<b>6,290,803</b>	<b>5,432,536</b>

The Common Fund is established under The Public Trustee Act 1930 as a single fund to hold capital moneys vested in The Public Trustee during the administration of deceased estates, represented persons, trusts and other matters under the control of The Public Trustee.

The investment in the Common Fund is carried at cost.

## **NOTE 5:      CURRENT RECEIVABLES**

Trade Debtors	450,044	419,043
<b>Total Receivables</b>	<b>450,044</b>	<b>419,043</b>

## **NOTE 6:      OTHER CURRENT ASSETS**

Prepayments	72,072	59,476
Rent Inducement, less amortisation	0	6,420
<b>Total Other Current Assets</b>	<b>72,072</b>	<b>65,896</b>

## **NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

	2006 \$	2005 \$
<b>Freehold Land at fair value</b>	<b>485,000</b>	<b>242,500</b>
<b>Buildings on Freehold land at fair value</b>	<b>1,310,000</b>	<b>1,202,500</b>
Improvements to Buildings, at cost	195,651	306,816
Accumulated Depreciation	(183,693)	(276,920)
<b>Total Improvements to Buildings</b>	<b>11,958</b>	<b>29,896</b>
Fixtures, Furniture and Equipment, at cost	633,398	772,997
Accumulated Depreciation	(560,887)	(668,608)
<b>Total Fixtures, Furniture and Equipment</b>	<b>72,511</b>	<b>104,389</b>
<b>Total Property, Plant and Equipment</b>	<b>1,879,469</b>	<b>1,579,285</b>

The fair values of freehold land and of buildings on freehold land have been determined by directors based on independent valuations at balance date adjusted for forecast disposal costs.

The fair values were updated at 30 June 2006 based on markets valuations prepared by Brothers & Newton Pty Ltd as at that date. Fair values were previously updated on 30 June 2003.

The reconciliation of the movement in each class of property, plant and equipment is as follows:

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>Freehold Land</b>		
Balance at beginning of year	242,500	242,500
Revaluation June 2006	242,500	0
	<hr/>	<hr/>
<b>Balance at End of Year</b>	<b>485,000</b>	<b>242,500</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Buildings on Freehold Land</b>		
Balance at beginning of year	1,202,500	1,202,500
Revaluation June 2006	107,500	0
	<hr/>	<hr/>
<b>Balance at End of Year</b>	<b>1,310,000</b>	<b>1,202,500</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Improvements to Buildings</b>		
Balance at beginning of year	29,896	47,834
Depreciation	(17,938)	(17,938)
	<hr/>	<hr/>
<b>Balance at End of Year</b>	<b>11,958</b>	<b>29,896</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Fixtures, Furniture and Equipment</b>		
Balance at beginning of year	104,389	135,190
Acquisitions	15,161	23,914
Depreciation	(47,039)	(54,715)
	<hr/>	<hr/>
<b>Balance at End of Year</b>	<b>72,511</b>	<b>104,389</b>
	<hr/> <hr/>	<hr/> <hr/>

## **NOTE 8: INVESTMENT PROPERTY**

Balance at beginning of year	2,262,800	2,025,600
Annual revaluation	237,200	237,200
	<hr/>	<hr/>
<b>Balance at End of Year</b>	<b>2,500,000</b>	<b>2,262,800</b>
	<hr/> <hr/>	<hr/> <hr/>

Investment property is valued under the fair value method, excluding an allowance for selling costs, and is based on a market valuation prepared by Brothers & Newton Pty Ltd and assessed as at 30 June 2006.

## **NOTE 9: CURRENT PAYABLES**

	2006	2005
	\$	\$
Creditors	473,806	537,135
<b>Total Current Payables</b>	<b>473,806</b>	<b>537,135</b>

Trade creditors are normally settled within 30 days

## **NOTE 10: CURRENT PROVISIONS**

Annual Leave	270,505	231,213
Long Service Leave	78,016	65,046
Retirement Benefits	1,338,916	1,033,444
<b>Total Current Provisions</b>	<b>1,687,437</b>	<b>1,329,703</b>

Information relating to employee retirement entitlements is provided at Note 18.

## **NOTE 11: NON-CURRENT PROVISIONS**

Long Service Leave	366,375	357,875
Retirement Benefits	6,643,925	7,097,756
<b>Total Non-Current Provisions</b>	<b>7,010,300</b>	<b>7,455,631</b>

Information relating to employee retirement entitlements is provided at Note 18.

## **NOTE 12: RETAINED PROFITS**

Retained profits at beginning of year	2,791,283	2,287,440
Total recognised income and expense for the year	1,656,478	503,843
<b>Retained Profits at End of Year</b>	<b>4,447,761</b>	<b>2,791,283</b>

## **NOTE 13: CONTINGENT LIABILITIES**

The Public Trustee has entered into Deeds of Indemnity with each Director and Executive Team member by which The Public Trustee will indemnify the Officers against any action that may be taken against them for actions undertaken on behalf of The Public Trustee in the performance of their duties within specified limitations. At the date of adoption of these financial statements, there are no actual or potential material claims of which the Directors or Officers are aware.

## **NOTE 14: REMUNERATION OF DIRECTORS**

The Directors in office during the year to 30 June 2006 were Ms. E.F. Thomas, Mrs. A.F. Cunningham and Messrs. P.M. Maloney, J.R. Fisher, and C.J. Stephens.

The remuneration (including the salary paid to the C.E.O. but excluding superannuation) paid or payable to Directors of The Public Trustee during the year to 30 June 2006 was \$177,097 (\$168,886 for 2004-2005). The total amount paid to superannuation plans on behalf of Directors during the period was \$33,564 (\$24,407 for 2004-2005)

## **NOTE 15: GOING CONCERN**

These financial statements have been prepared on the going concern basis recognising that The Public Trustee will continue to function and fund itself on the same basis as for the year ended 30 June 2006.

## **NOTE 16: CREDIT AND LOAN FACILITIES**

The Public Trustee maintained no used or unused credit standby arrangements or loan facilities as at 30 June 2006.

## **NOTE 17: RELATED PARTY TRANSACTIONS**

There were no transactions with related parties by the economic entity during the year.

## **NOTE 18: PROVISION FOR RETIREMENT BENEFITS**

Approximately 50% of staff are members of the Retirement Benefits Fund defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The Fund has Contributory members, Compulsory Preserved members and pensioners. The scheme was closed to new members on 15 May 1999.

The State Actuary conducts an annual valuation of accrued liabilities within the scheme at the reporting date. Any shortfall between the value of these liabilities and the market value of the Retirement Benefits Fund assets relating to those members, determines the amount of any unfunded superannuation liability, and is shown as a liability in The Public Trustee's Balance Sheet.

The Public Trustee does not make regular contributions under the scheme but rather meets the cost of benefits as they emerge by paying a percentage of the benefit as it falls due.

(a) <b><u>Net Liability</u></b>	<b>2006</b>	<b>2005</b>
	\$	\$
Defined Benefit Obligation	10,119,256	9,877,191
Contributions tax liability	575,483	639,458
Total Defined Benefit Obligations	<u>10,694,739</u>	<u>10,516,649</u>
RBF Contributory scheme assets	(2,711,898)	(2,377,991)
<b>Deficit</b>	<b><u>7,982,841</u></b>	<b><u>8,138,658</u></b>
Current net liability	1,338,916	1,040,902
Non-current net liability	6,643,925	7,097,756
<b>Total Liability</b>	<b><u>7,982,841</u></b>	<b><u>8,138,658</u></b>
(b) <b><u>Funded Status</u></b>		
Funded	2,845,416	2,769,103
Unfunded	7,849,323	7,747,546
<b>Total Obligation</b>	<b><u>10,694,739</u></b>	<b><u>10,516,649</u></b>

(c) <b><u>Movement in Net Liability</u></b>	<b>2006</b>	<b>2005</b>
	\$	\$
Net liability in balance sheet at beginning of year	8,138,658	6,994,585
Expense recognised in income statement	625,702	581,705
Amounts recognised in the statement of recognised income and expense	(547,077)	987,692
Actual employer contributions	(234,442)	(425,323)
<b>Net liability in balance sheet at end of year</b>	<b>7,982,841</b>	<b>8,138,658</b>

(d) **Expense**

Employer Service Cost	256,233	213,521
Contribution tax expense	30,741	8,880
<b>Total Employer Service Cost</b>	<b>286,975</b>	<b>222,401</b>
Interest cost	504,906	502,862
Expected return on Plan assets	(166,179)	(143,558)
<b>Expense recognised</b>	<b>625,702</b>	<b>581,705</b>

The expense for retirement benefits is included in the Income Statement as part of provisions for employee benefits.

(e) **Statement of Recognised Income and Expense**

Cumulative amount of Actuarial losses at beginning of year	987,692	0
Actuarial (gains) / losses recognised during year ending	(547,077)	987,692
<b>Cumulative amount of Actuarial losses at end of year</b>	<b>440,615</b>	<b>987,692</b>

(f) <b><u>Total Defined Benefit Obligations Reconciliation</u></b>	<b>2006</b>	<b>2005</b>
	\$	\$
Total Defined Benefit Obligations at end of prior year	10,516,649	9,081,998
Employer Service Cost plus operating costs	286,975	222,401
Interest cost	504,906	502,862
Actual Participant contributions	116,936	125,231
Actual operating costs	(24,478)	(16,111)
Actual Benefit payments plus Contributions Tax	(334,918)	(607,604)
Expected Defined Benefit Obligations at Year End	<u>11,066,070</u>	<u>9,308,777</u>
Actuarial (gain) / loss on liabilities	(371,331)	1,207,873
Actual Total Defined Benefit Obligations at year end	<u><u>10,694,739</u></u>	<u><u>10,516,649</u></u>

(g) **Contributions Tax**

Defined Benefit Obligations at end of prior year	9,877,191	8,684,833
Fair value Plan assets at end of prior year	<u>2,377,991</u>	<u>2,087,413</u>
Net Obligation	7,499,201	6,597,420
Contributions Tax at end of prior year	639,458	397,165
Contributions tax expense	30,741	8,880
Expected Contributions Tax at year end	<u>670,199</u>	<u>406,044</u>
Actuarial (gain) / loss on contributions tax	(94,716)	233,413
Actual Contributions Tax at year end	<u><u>575,483</u></u>	<u><u>639,458</u></u>

(h) **Fair value of Plan assets**

Fair value Plan assets at end of prior year	2,377,991	2,087,413
Estimated employer contributions	234,442	425,323
Estimated Participant contributions	116,936	125,231
Estimated operating costs	24,478	16,111
Estimated Benefit payments	334,918	607,604
Expected Return on Assets	166,179	143,558
Expected Assets at year end	2,536,152	2,157,810
Actuarial gain / (loss) on assets	175,746	220,181
Fair value Plan assets at year end	<u>2,711,898</u>	<u>2,377,991</u>
Estimated Actual return on plan assets	<u><u>322,606</u></u>	<u><u>301,536</u></u>

(i) <b><u>Expected Return on Assets</u></b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Fair value Plan assets at end of prior year	2,377,991	2,087,413
Actual Employer contributions	234,442	425,323
Weighted for timing	117,221	212,661
Actual Participant contributions	116,936	125,231
Weighted for timing	58,468	62,615
Actual operating costs (admin + insurance)	24,478	16,111
Weighted for timing	12,239	8,056
Actual Benefit payments	334,918	607,604
Weighted for timing	167,459	303,802
Average expected assets	2,373,982	2,050,832
Assumed Rate of Return	7.00%	7.00%
Calculated Expected Return on Assets	166,179	143,558
Expected Return on Assets Used in Calculation	166,179	143,558

(j) **Actuarial gain/(loss) for year**

Defined benefit obligations (net of tax, prior year assumptions)	10,741,483	8,961,578
Contributions tax (prior year assumptions)	684,684	396,332
Defined benefit obligations (net of tax, current assumptions)	10,119,256	9,877,191
Actual contributions tax at year end	575,483	639,458
Actuarial (gain)/loss for year due to assumptions	(731,428)	1,158,739
Actuarial (gain)/loss for year due to experience	360,097	49,134
Actuarial (gain)/loss on assets	(175,746)	(220,181)
Actuarial (gain)/loss for year	(547,077)	987,692

## **KEY ASSUMPTIONS**

Key assumptions as at balance date and for following year expense		<b>2006</b>	<b>2005</b>
Discount rate:	<i>Gross of tax</i>	5.80%	5.30%
	<i>Net of tax</i>	5.70%	5.20%
Salary rate:		4.50%	4.50%
Expected return on plan assets (net of tax)		7.00%	7.00%
Inflation (pensions):		2.50%	2.50%
Tax rate for Employer contributions		7.21%	7.86%
Tax rate for Discount rate		2.25%	2.25%

The expected return on plan assets (net of tax) has been based on the expected long term returns for each of the major asset classed in which the Plan invests.

## **PLAN ASSETS**

<b>Asset disclosure</b>	<b>2006</b>	<b>2005</b>
Australian equities	38%	36%
Overseas equities	20%	20%
Fixed interest securities	21%	25%
Property	21%	19%

## **HISTORY**

The amounts, required under paragraph 120(p) of AASB 119, for the current annual reporting period and the previous two reporting periods are:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total Defined Benefit Obligation at end of year	10,694,739	10,516,649	9,081,998
Actual Assets at year end	(2,711,898)	(2,377,991)	(2,087,413)
Deficit / (Surplus)	7,982,841	8,138,658	6,994,585
Experience Adjustment on Liabilities	360,097	49,134	
Experience Adjustment on assets	(175,746)	(220,181)	

## **NOTE 19: CASH FLOW STATEMENT**

### (a) **Reconciliation of Cash**

Cash includes cash on hand and the cash component of the investment in the Common Fund. The reported cash component of the investment in the Common Fund is based on an estimate of the maximum short term cash requirements of the Office. Cash at the end of the year is reconciled to the related items in Note 4 as follows:

	<b>2006</b>	<b>2005</b>
	\$	\$
Cash on hand	1,050	1,050
Cash Investment in Common Fund	289,753	231,486
	<hr/>	<hr/>
<b>Cash at End of Year</b>	<b>290,803</b>	<b>232,536</b>
	<hr/> <hr/>	<hr/> <hr/>
Cash Investment in Common Fund	289,753	231,486
Balance of Investment in Common Fund	6,000,000	5,200,000
	<hr/>	<hr/>
<b>Investment in Common Fund</b>	<b>6,289,753</b>	<b>5,431,486</b>
	<hr/> <hr/>	<hr/> <hr/>

### (b) **Reconciliation of net cash provided by operating activities to operating result**

Operating Profit (Loss)	1,506,907	1,573,399
Profit from Asset Revaluations	(587,200)	(237,200)
Depreciation expense	63,250	70,926
Increase in Provisions for Employee Benefits	452,022	130,000
Increase (Decrease) in Creditors	(63,330)	145,221
(Increase) Decrease in Debtors	(43,597)	(95,857)
Income Tax Equivalents Paid	(470,231)	(240,978)
Sundry	14,211	6,398
	<hr/>	<hr/>
<b>Total Cash Provided</b>	<b>872,032</b>	<b>1,351,909</b>
	<hr/> <hr/>	<hr/> <hr/>

## **NOTE 20: LEASING COMMITMENTS**

Obligations under non-cancellable operating leases of computer equipment, motor vehicles and premises as at 30 June:

	2006	2005
	\$	\$
Amounts payable not later than 1 year	76,181	77,312
Payable later than 1 year and less than 5 years	7,887	67,412
<b>Total Amounts Payable</b>	<b>84,068</b>	<b>144,724</b>

During the financial year ended 30 June 2006, \$77,312 was recognised as an expense in the Income Statement in respect of operating leases (\$63,493 in 2004-2005).

## **NOTE 21: AUDITOR'S REMUNERATION**

Amounts due for the audit of financial reports:

Tasmanian Audit Office	17,450	16,850
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No other services are provided by Tasmanian Audit Office

## **NOTE 22: GOVERNMENT APPROPRIATIONS AND GRANTS**

The Public Trustee received no Government appropriations or grants during the year ended 30 June 2006.

In accordance with an agreement for The Public Trustee to undertake certain Community Service Obligations on behalf of the Government, The Public Trustee is entitled to receive a payment of \$793,000 for services supplied during the year (\$793,000 in 2004-2005).

## **NOTE 23: SUBSEQUENT EVENTS**

No matters or events have arisen between the end of the financial year and the date of this report that in the opinion of Directors has a significant affect or may significantly affect the financial performance or position of The Public Trustee.

## **NOTE 24:      INCOME TAX EQUIVALENTS**

- (a) Reconciliation of income tax expense charged in Income Statement with income tax calculated on profit from ordinary activities before income tax:

	2006	2005
	\$	\$
<b>Operating Profit</b>	<b>1,506,907</b>	<b>1,573,399</b>
Income Tax expense calculated at 30%	452,072	472,020
Tax benefit from building allowance	(24,999)	(24,999)
Rent inducement not assessable	1,927	2,311
Profit on asset revaluations not assessable	(176,160)	(71,160)
Tax overprovided in previous years	(19,456)	0
<b>Income Tax Expense on Operating Profit</b>	<b>233,384</b>	<b>378,172</b>
Actuarial Gain (Loss) recognised directly to equity	547,077	(987,692)
<b>Tax Effect of Actuarial Adjustment direct to equity</b>	<b>164,123</b>	<b>(296,308)</b>
Income Tax Expense on Operating Profit	233,384	378,172
Tax Effect of Actuarial Adjustment direct to equity	164,123	(296,308)
<b>Total Income Tax Expense</b>	<b>397,507</b>	<b>81,864</b>
<b>Analysis of Total Income Expense</b>		
Income Tax Expense, current year	388,450	410,357
Increase (decrease) Deferred Income Tax Liability, current year	(9,140)	12,205
(Increase) decrease Deferred Income Tax Asset, current year	18,197	(340,698)
<b>Total Income Tax Expense</b>	<b>397,507</b>	<b>81,864</b>

- (b) Provision for Current Income Tax

Balance at beginning of year	265,023	95,644
Income tax paid	(170,651)	(76,187)
PAYG instalments paid	(299,580)	(164,791)
Current year's income tax expense	388,450	410,357
	<b>183,242</b>	<b>265,023</b>

- (c) Deferred Income Tax Liability

Timing differences between taxable and accounting income	3,306	12,446
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- (d) Deferred Income Tax Asset

Timing differences between taxable and accounting income	2,613,464	2,631,661
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## **NOTE 25: STATEMENT OF TAXATION EQUIVALENTS**

	<b>2006</b>	<b>2005</b>
	\$	\$
Operating Profit as per Financial Statement	1,506,907	1,573,399
<b><u>ADD</u></b>		
Depreciation as per accounts	64,977	72,653
Net increase (decrease) in annual leave provision	39,292	(7,617)
Net increase (decrease) in long service leave provisions	21,470	(11,251)
Net increase in staff retirement provisions	(155,817)	156,957
Increase (decrease) in accrued expenses	15,265	(15,084)
(Increase) decrease in accrued rental income	30,466	(40,682)
Rent inducement amortised	6,420	7,704
<b>TOTAL ADDBACKS</b>	<b>22,073</b>	<b>162,680</b>
<b><u>DEDUCT</u></b>		
Tax Depreciation	45,841	47,691
Building Allowance	83,329	83,329
Profit on Asset Revaluations	587,200	237,200
<b>TOTAL SUBTRACTIONS</b>	<b>716,370</b>	<b>368,220</b>
<b>TAXABLE INCOME</b>	<b>812,610</b>	<b>1,367,859</b>
Current Tax Payable on Operating Profit	243,783	410,357
Profit over provided in previous years	(19,456)	0
<b>CURRENT TAX PROVISION ON OPERATING PROFIT</b>	<b>224,327</b>	<b>410,357</b>
Current Tax Provision on Operating Profit	224,327	410,357
Current Tax Provision on Actuarial Gain	164,123	0
<b>TOTAL CURRENT TAX PROVISION</b>	<b>388,450</b>	<b>410,357</b>

## **NOTE 26: FINANCIAL INSTRUMENTS**

### (a) Interest Rate Risk

The Public Trustee's exposure to interest rate risk and effective interest rates on financial assets and liabilities as at 30 June are:

	Weighted Average Effective Interest Rate %	Variable Interest Rate \$	Non-interest Bearing \$
<b>2006 Financial Assets</b>			
Cash		0	1,050
Investment in Common Fund	5.13	6,289,753	0
Debtors		0	450,044
Total Financial Assets		<b>6,289,753</b>	<b>451,094</b>
<b>2006 Financial Liabilities</b>			
Creditors		0	473,806
<b>2005 Financial Assets</b>			
Cash		0	1,050
Investment in Common Fund	5.01	5,431,486	0
Debtors		0	419,043
Total Financial Assets		<b>5,431,486</b>	<b>420,093</b>
<b>2005 Financial Liabilities</b>			
Creditors		0	529,677

### (b) Net Fair Value

The net fair value of the financial assets and liabilities of The Public Trustee approximates their carrying value.

### (c) Credit Risk Management

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Public Trustee minimises the credit risk of the investment in the Common fund by ensuring that the assets of the Common Fund are invested in secure diversified assets as per Note 4.

### (d) Policies and Conditions

Debtors and Creditors are carried at nominal values. The investment in the Common Fund is held at cost. The cash component of the Common Fund investment (Note 19) is available at call and the balance is available subject to the liquidity of the investments of the Fund.

## **NOTE 27: IMPACT OF THE ADOPTION OF AIFRS**

These Financial Statements have been prepared under Australian equivalents to International Financial Reporting Standards (AIFRS). Previous Financial Statements were prepared using Australian Generally Accepted Accounting Principles (AGAAP) existing at that time.

The impacts of adopting AIFRS on the total equity and profit before tax are:

### **(a) Reconciliation of net profit under previous AGAAP to that under AIFRS**

	<b>2005</b>
	<b>\$</b>
Net profit before tax under AGAAP	1,284,805
Profit on revaluation of Investment Properties	237,200
Reduced expense for employee benefits	<u>51,394</u>
Net profit before tax under AIFRS	<u><u>1,573,399</u></u>

### **(b) Reconciliation of retained earnings under previous AGAAP to that under AIFRS**

	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Retained earnings under AGAAP	3,909,115	2,987,064
Profit on revaluation of rental properties	527,300	290,100
Reduced current liability for employee benefits	313,306	283,900
Increased non current liability for employee benefits	(2,663,494)	(1,697,788)
Increase in Deferred Tax Asset	<u>705,056</u>	<u>424,166</u>
Retained earnings under AIFRS	<u><u>2,791,283</u></u>	<u><u>2,287,442</u></u>

### **(c) Cash Flow Statement**

There are no material differences between the Cash Flow Statement presented under AIFRS and the Cash Flow Statement presented under previous AGAAP.

# Independent Audit Report



*Tasmanian Audit Office*

## **INDEPENDENT AUDIT REPORT**

**To the Members of the Parliament of Tasmania**

### **THE PUBLIC TRUSTEE**

Financial Statements for the Year Ended 30 June 2006

#### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements published in both the annual report and on the website of The Public Trustee for the year ended 30 June 2006. The Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information that may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in The Public Trustee's annual report.

#### **Scope**

##### *The financial statements and the Directors' responsibilities*

The financial statements comprise the income statement, statement of recognised income and expense, balance sheet, cash flows statement, accompanying notes to the financial statements, and the statement from Directors for the year ended 30 June 2006.

The Directors are responsible for the preparation and true and fair presentation of the financial statements in accordance with Section 52 (1) of the *Government Business Enterprises Act 1995*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

##### *Audit approach*

I conducted an independent audit in order to express an opinion to the Members of the Parliament of Tasmania. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with the *Government Business Enterprises Act 1995*, the Treasurer's Instructions, Accounting Standards and

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other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of The Public Trustee's financial position, and of its performance as represented by the results of its operations, cash flows and changes in equity.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

### **Independence**

In conducting my audit, I have met applicable independence requirements of Australian professional ethical pronouncements.

### **Audit Opinion**

In my opinion the financial statements of The Public Trustee:

- i. Present fairly, in all material respects, the financial position of The Public Trustee as at 30 June 2006, and the results of its operations, cash flows and changes in equity for the year then ended; and
- ii. Is in accordance with the Treasurer's Instructions issued under the *Government Business Enterprises Act 1995* and applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

**TASMANIAN AUDIT OFFICE**



E R De Santi  
**DEPUTY AUDITOR-GENERAL**

HOBART  
19 October 2006

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# Public Interest Disclosures Act 2002

In accordance with the *Public Interest Disclosures Act 2002*, The Public Trustee has developed procedures and established a system for reporting disclosures of improper conduct or detrimental action by The Public Trustee or its employees.

Any person wishing to obtain a copy of these procedures may do so by downloading an electronic version of the document from our website [www.publictrustee.tas.gov.au](http://www.publictrustee.tas.gov.au) or a hard copy of it is available on request from any of our branches.

During the year in review, no disclosed matters were made to The Public Trustee.