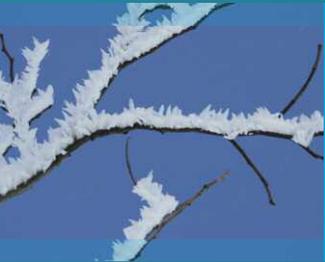


The Public Trustee

Annual Report 2006-2007



The Public Trustee
A LIFETIME OF TRUST

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

Dear Minister,

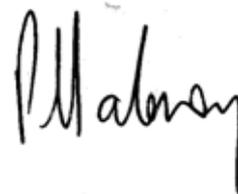
In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we submit for your information and presentation to Parliament the Report of The Public Trustee for the year ended 30 June 2007.

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 and Minister for Justice and Workplace 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

It is with pleasure that I present the Annual Report for the year ended 30 June 2007.

In the financial year in review the organisation has again achieved a sound financial result – an operating profit from core business operations after tax of \$561,837. This continues the consolidation of The Public Trustee as a commercially driven, successful Government Business Enterprise, delivering value to our clients in the Tasmanian community.

Factors contributing to the result were:

- Overall operating revenue was 3% higher than last year.
- Within overall revenue, commission and fees increased by 2% on last year.
- Capital commission was 3% higher than last year.
- Operating expenses increased by 7% due primarily to an increase in salaries and associated expenses, as a result of the full year effect of the filling of several vacant positions and increases as a result of the State Service Wages Agreement.

In the year in review we paid \$636,761 to the Government by way of dividend.

Funds under management continue to be a core area of business for the organisation. It is therefore pleasing to note that client funds under management increased by 18% to \$142 million, with total client assets under administration amounting to \$193 million.

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 4.79% to 5.95% per annum.

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. Since being established in May 2004 the Funds have provided annualised returns of 9.29%, 14.46% and 15.92% respectively to the end of June 2007.

The Board of The Public Trustee is mindful of the need to provide a service to the whole of the Tasmanian community. In meeting that objective, one of the initiatives of the Board was for Directors to meet with the Burnie community in November 2006. A forum for stakeholders was held in order to receive their feedback to assist us in providing the services to meet their needs.

We also held a function for the local business community and took the opportunity of donating a plasma TV to the staff and residents of Umina Park Nursing Home. The Board values the opportunity to meet members of local communities to demonstrate our commitment to provide a service to all Tasmanians, no matter where they live.

I have commented previously on the importance of CSO funding for the financial viability of the organisation. During the year in review, The Public Trustee negotiated a new CSO funding agreement with the Government. It is pleasing to note that in the first year of this new agreement the Government has agreed to provide the full cost of providing CSO services to the Tasmanian community. Funding for the 2008-2009 and 2009-2010 financial years is dependant upon the outcomes of a comprehensive review into delivery of CSO services to be undertaken in the next financial year. The Public Trustee looks forward to working with the Government on this review.

As noted previously growth in our core commercial business is the priority of the Board. Marketing strategies have been identified to assist in achieving that objective. For the first time in a number of years, a TV campaign was developed to promote the services of The Public Trustee to the Tasmanian community. This is to be supplemented by a print media campaign in the coming year.

To assist it in this task, the Board established a Marketing Committee comprising of three Directors.

An issue identified as part of the Corporate Planning Day was the development of a Strategic Risk Management Plan. Managing risk in the organisation is a key objective of the Board. A Plan is now in place and strategies developed to address identified risks.

In accordance with its usual practice, the Board conducted a review of its performance and identified strategies for improvement. The Board is committed to reviewing its performance and governance on a regular basis in order to achieve best practice.

In reviewing the year, I would like to place on record my thanks and appreciation to my fellow Board members. They carried out their functions with commitment, enthusiasm and dedication. Particular thanks goes to the Audit Committee, chaired by Elizabeth Thomas and the Investment Committee, chaired by John Fisher.

There has been a change at Board level during the year. Beth Mathison joined the Board in March 2007. Beth has over 30 years experience in business management, business development and major projects. She has her own consultancy business offering strategic planning, marketing and profitability improvement to Tasmanian businesses. Beth is also Chair of the Marketing Committee.

One of the focuses of the CEO Peter Maloney this year has been to lift the profile of The Public Trustee and promote its services. Peter continues to undertake his work with drive and enthusiasm.

On behalf of the Board I acknowledge the role of the Portfolio Minister, the Hon Steven Kons MHA. We look forward to continue to have an ongoing effective working relationship with the Minister.

It is now twelve years since The Public Trustee became a Government Business Enterprise. It is pleasing to note its sound financial position. This will continue to underpin the operations of The Public Trustee into the future as it continues to be a commercially successful provider of trustee services to the Tasmanian community.



Ann Cunningham
Chairperson
Board Of The Public Trustee

Chief Executive Officer's Report

I am pleased to present my report for what has been another successful year for The Public Trustee. We have achieved another good financial result.

However, financial success is just one way we measure our performance. The Public Trustee has developed service standards that measure us against professionalism, timeliness, courtesy and communication.

In the year in review overall The Public Trustee achieved 89% of all service standards.

Our largest client group is our beneficiaries. The service we provide to them is at the core of our business. We have developed a beneficiary survey to gain feedback in relation to our service in order to facilitate continuous improvement.

Of 631 surveys sent during 2006-2007, we received a response rate of 34%. Of those beneficiaries who responded 79% stated their experience in dealing with The Public Trustee either met or exceeded their expectation. We have commenced implementation of strategies to address issues identified in the surveys.

Our will client surveys continue to produce outstanding results. For the year in review we distributed 762 surveys with a 41% response rate. Of those who responded, virtually 100% stated that their experience with dealing with The Public Trustee met or exceeded their expectations. This once again is a tremendous result and reflects well on those in the organisation who take will instructions and in particular the professionalism of the Legal Services team.

Our new business in our core areas was comparable with last year.

We achieved 72% of the new will target, 91% of the revised will target and 85% of the EPA target. This performance against target is pleasing, given that there was no advertising until very late in the year.

Public presentations and seminars continue to be a core area of activity for the organisation. We conducted 49 seminars and presentations around the state to a variety of groups and organisations with 1,100 attendees.

Key initiatives completed during the year in review

Significant progress was made in relation to a number of strategic initiatives identified in the current Corporate Plan.

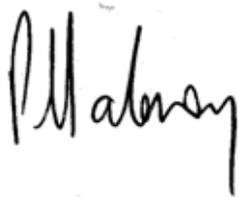
- A regional service delivery programme was developed for the Northeast of Tasmania with visitations programmes for will writing days.
- An on line system was developed for monitoring key performance indicators for service delivery.
- A marketing and promotional campaign promoting the services of The Public Trustee has been developed including a TV campaign.

- Research was conducted in relation to expanding the existing EPA product range.
- The Business Continuity Plan was updated.
- A Strategic Risk Management Plan was developed with a risk register completed.
- An IT Strategic Plan was completed.
- A project for upgrading the core information system in The Public Trustee was commenced.

In conclusion I would like to thank the Chairperson of the Board, Ann Cunningham and my fellow Directors. Their contribution to the organisation and their support and assistance to me is invaluable.

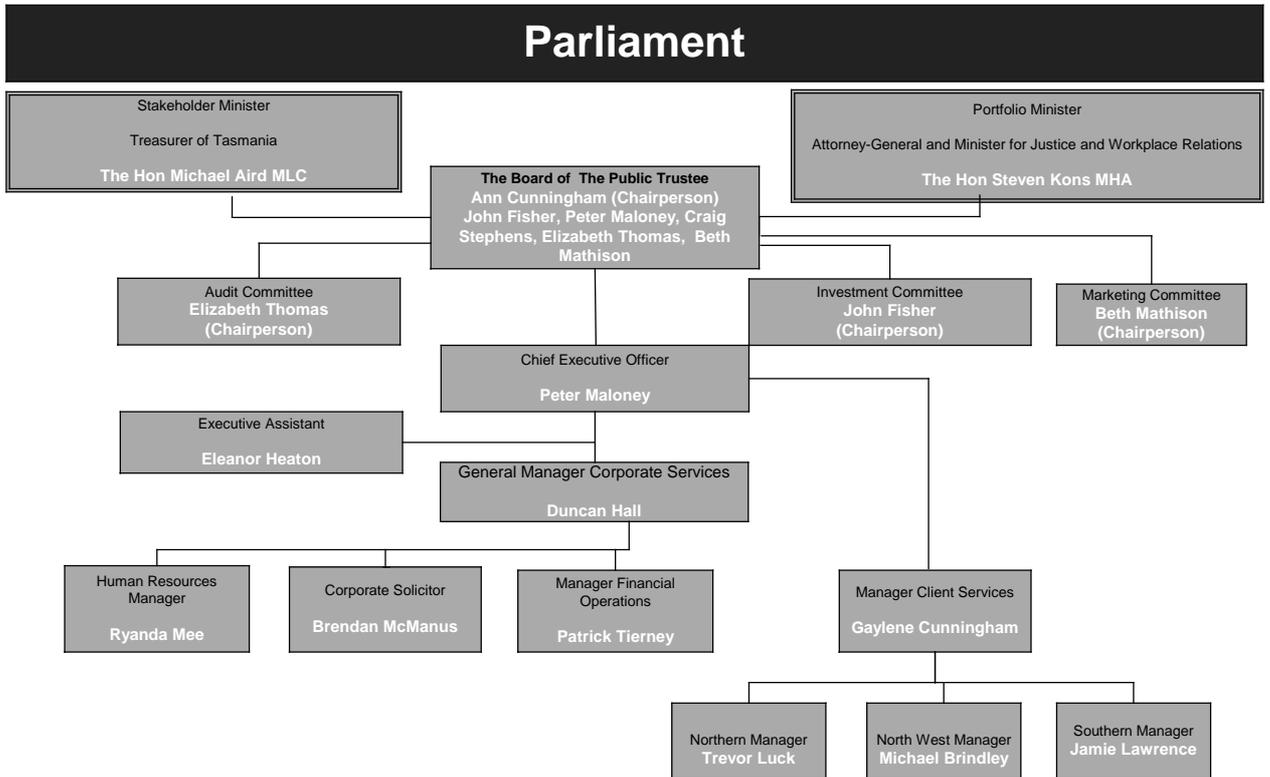
I would like to record my appreciation to The Public Trustee team without whom we would have not have achieved the results we have in the past year.

We can all look forward in confidence as The Public Trustee continues to be a successful commercial provider of specialist trustee services to the Tasmanian community.



Peter Maloney
Chief Executive Officer

Structure of The Public Trustee



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 and Minister for Justice and Workplace Relations) 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, investment and marketing 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 and the marketing committee meet monthly with additional meetings as the need arises.

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 marketing committee provides advice and recommendations on marketing strategies and promotions.

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 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 was the General Manager, Financial and Business Services for the Department of Economic Development.

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.

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
Member of the Marketing Committee since June 2007

A barrister and solicitor and formerly a Senior Executive with the Department of Justice and Industrial Relations. Mr Maloney has eleven 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 BDO Kendalls in Tasmania 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 since March 2003
Member of the Marketing Committee since June 2007

Ms Thomas brings over 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 Director of Hobart Water, a Commissioner on the Tasmanian Gaming Commission and a member of the Police Review Board.

Beth Mathison

Board Member of The Public Trustee since March 2007
Chairperson of the Marketing Committee since June 2007

Ms Mathison has 30 years of private industry experience in business management, business development and major projects. She has her own consultancy business offering strategic planning, marketing and profitability improvement to Tasmanian businesses. Beth is a Director of the MS Society and an Associate Fellow of the Australian Institute of Management.

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 2007-08 to 2009-10 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.

Key Performance Indicators	2007-2008	2008-2009	2009-2010
Return on Tangible Assets	5.7%	6.6%	7.7%
Return on Tangible Equity	34%	36%	35%
Net Tangible Equity to Tangible Assets Ratio	12%	15%	18%
Net Profit before tax	\$680,000	\$805,000	\$965,000
Debt to Equity Ratio	N/A	N/A	N/A
Interest Cover Ratio	N/A	N/A	N/A

The notional income from the \$9.20 million 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.

	2007-2008	2008-2009	2009-2010
Dividends	\$465,000	\$250,000	\$290,000
Income tax equivalent payments	\$180,000	\$217,500	\$265,000
Guarantee fees	\$0	\$0	\$0
TOTAL	\$645,000	\$467,500	\$555,000
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 2006 – 2007 were:

	Corporate Plan Target 2006-2007	Actual for 2006-2007
Return on Tangible Assets		
Earnings before interest & Tax / Total Tangible Assets	3.2%	11%
Return on Tangible Equity		
Earnings after Tax / Net Tangible Assets	27%	56%
Net Tangible Equity to Tangible Assets Ratio	9%	14%

The notional income generated from the \$9.20 million 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 20% of total assets and 70% of net assets as at 30 June 2007 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 2006-2007 compared with the previous year were:

	2006-2007	2005-2006
Dividend	\$636,761	Nil
Income Tax Equivalent Payment	\$466,237	\$470,231
Guarantee Fee	Nil	Nil
TOTAL	\$1,102,998	\$470,231

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 2007-2008 are:

Guarantee Fee	\$0
Income Tax Equivalent Payment	\$180,000
Dividend	\$465,000
TOTAL	\$645,000

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 June 2007 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 June 2007 The Public Trustee employed 49 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 June 2007, matters classified as community service obligations accounted for 49% 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 2006-07 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
- Tasplan Superannuation Fund
- Fiducian Life Superannuation
- Colonial First State Superannuation
- Sedwynd Superannuation Fund
- Macquarie Financial Services Superannuation
- ING Masterfund Superannuation
- The Grange Close Superannuation Fund
- AXA Australian Equity Superannuation Fund



Ann Cunningham
Chairperson
Board Of The Public Trustee

The Public Trustee

Financial Statements

2006-2007



STATEMENT OF CERTIFICATION

In the opinion of the directors of The Public Trustee

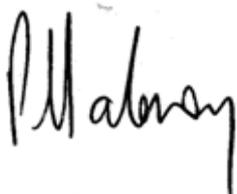
- (a) the attached financial statements are drawn up so as to give a true and fair view of the results and cash flows for the year ending 30 June 2007 and the state of affairs as at 30 June 2007 of The Public Trustee;
- (b) the accounts have been prepared in compliance with the provisions of the Government Business Enterprises Act 1995;
- (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 Interpretations and comply with Australian equivalents to International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



ANN F. CUNNINGHAM
CHAIRPERSON
BOARD OF THE PUBLIC TRUSTEE
17th August 2007



PETER M. MALONEY
DIRECTOR
THE PUBLIC TRUSTEE
17th August 2007



THE PUBLIC TRUSTEE
INCOME STATEMENT
For the Year Ended 30 June 2007

	NOTE	2007	2006
		\$	\$
REVENUE FROM ORDINARY ACTIVITIES			
Commission and Fees		4,566,330	4,483,167
Funding of Community Service Obligations		793,000	793,000
Income from Investments	3	503,288	414,057
Profit from Asset Revaluations		480,950	587,200
Other Income		532	1,396
Total Revenue from Ordinary Activities		6,344,100	6,278,820
EXPENSES FROM ORDINARY ACTIVITIES			
Salaries and Associated Expenses		2,684,122	2,404,248
Provisions for Employment Benefits		903,511	886,501
Accommodation Expenses		147,565	127,717
Depreciation		54,306	63,250
Administration Expenses	26	1,306,735	1,290,197
Total Expenses from Ordinary Activities		5,096,239	4,771,913
PROFIT BEFORE TAX		1,247,861	1,506,907
Income Tax Expense	24	319,824	233,384
PROFIT FOR THE YEAR		928,037	1,273,523
STATEMENT OF RECOGNISED INCOME AND EXPENSE			
For the Year Ended 30 June 2007			
Actuarial gain (loss) on defined benefit superannuation fund		(1,219,059)	547,078
Transfer to RBF provision from previous employer		376,809	0
Revaluation of land and buildings		169,050	0
Tax benefit (expense) on income and expense recognised directly in equity	24	201,960	(164,123)
Net Income (Expense) recognised directly in equity		(471,240)	382,955
Profit for the Year		928,037	1,273,523
TOTAL RECOGNISED INCOME FOR THE YEAR		456,797	1,656,478

These statements should be read in conjunction with the accompanying notes

THE PUBLIC TRUSTEE
BALANCE SHEET
As at 30 June 2007

	NOTE	2007 \$	2006 \$
CURRENT ASSETS			
Cash Assets	4	6,431,090	6,290,803
Receivables	5	421,838	450,044
Other	6	45,139	72,072
TOTAL CURRENT ASSETS		6,898,067	6,812,919
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	2,202,406	1,879,469
Investment Property	8	2,882,500	2,500,000
Deferred Income Tax Asset	24	2,981,968	2,613,464
TOTAL NON-CURRENT ASSETS		8,066,874	6,992,933
TOTAL ASSETS		14,964,941	13,805,852
CURRENT LIABILITIES			
Payables	9	617,174	473,806
Current Income Tax Liability	24	41,214	183,242
Provisions	10	2,054,978	1,687,437
TOTAL CURRENT LIABILITIES		2,713,366	2,344,485
NON-CURRENT LIABILITIES			
Provisions	11	7,818,313	7,010,300
Deferred Income Tax Liability	24	165,465	3,306
TOTAL NON-CURRENT LIABILITIES		7,983,778	7,013,606
TOTAL LIABILITIES		10,697,144	9,358,091
NET ASSETS		4,267,797	4,447,761
EQUITY			
Retained Profits	12	4,098,747	4,447,761
Asset revaluation Reserve		169,050	0
TOTAL EQUITY		4,267,797	4,447,761

This statement should be read in conjunction with the accompanying notes

THE PUBLIC TRUSTEE				
CASH FLOW STATEMENT				
For the Year Ended 30 June 2007				
	NOTE	2007	2006	
		\$	\$	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from clients, government & Common Fund		5,882,023	6,209,311	
Payments to employees and suppliers		(4,903,336)	(4,867,048)	
Contribution to Retirement Benefits Provision		376,809	0	
Income Tax Equivalents Paid		(466,237)	(470,231)	
Dividend Paid		(636,761)	0	
NET CASH FROM OPERATING ACTIVITIES	19	252,498	872,032	
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) Decrease in investment in Common Fund		(100,000)	(800,000)	
Payments for property, plant & equipment		(112,743)	(15,161)	
Proceeds from sale of property, plant & equipment		532	1,396	
NET CASH USED IN INVESTING ACTIVITIES		(212,211)	(813,765)	
Net increase (decrease) in Cash Held		40,287	58,267	
Cash at the beginning of the year		290,803	232,536	
CASH AT THE END OF THE YEAR		331,090	290,803	

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 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The main undertakings of The Public Trustee are the administration of estate and trusts, the management of the financial affairs of clients in the state of Tasmania.

(a) BASIS OF ACCOUNTING

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).

(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 \$500.

(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 annually.

(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

The calculation of the liability for annual and long service leave includes the non salary on costs of payroll tax and workers compensation insurance. Previously these costs were included in the Balance Sheet as part of the provisions for employee benefits. These costs are now included in the Balance Sheet as part of creditors.

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

NOTE 3: INCOME FROM INVESTMENTS

	2007	2006
	\$	\$
Income from the Common Fund	315,590	257,660
Rental Income	187,698	156,397
	503,288	414,057



NOTE 4: CASH ASSETS

				2007	2006
				\$	\$
Cash on Hand				1,050	1,050
Investment in Common Fund				6,430,039	6,289,753
Total Cash Assets				6,431,089	6,290,803

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				421,838	450,044
Total Receivables				421,838	450,044

NOTE 6: OTHER CURRENT ASSETS

Prepayments				45,139	72,072
Total Other Current Assets				45,139	72,072

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	\$	\$
Freehold Land at fair value	550,000	485,000
Buildings on Freehold land at fair value	1,512,500	1,310,000
Improvements to Buildings, at cost	195,651	195,651
Accumulated Depreciation	(195,651)	(183,693)
Total Improvements to Buildings	0	11,958
Fixtures, Furniture and Equipment, at cost	746,140	633,398
Accumulated Depreciation	(606,234)	(560,887)
Total Fixtures, Furniture and Equipment	139,906	72,511
Total Property, Plant and Equipment	2,202,406	1,879,469

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 2007 based on market valuations prepared by Brothers & Newton Pty Ltd and by Saunders & Pitt as at that date. Fair values were previously updated on 30 June 2006.

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

			2007	2006
			\$	\$
Freehold Land				
Balance at beginning of year			485,000	242,500
Revaluation June 2007			65,000	242,500
Balance at End of Year			550,000	485,000
Buildings on Freehold Land				
Balance at beginning of year			1,310,000	1,202,500
Revaluation June 2007			202,500	107,500
Balance at End of Year			1,512,500	1,310,000
Improvements to Buildings				
Balance at beginning of year			11,958	29,896
Depreciation			(11,958)	(17,938)
Balance at End of Year			0	11,958
Fixtures, Furniture and Equipment				
Balance at beginning of year			72,511	104,389
Acquisitions			112,743	15,161
Depreciation			(45,348)	(47,039)
Balance at End of Year			139,906	72,511

The depreciation expense included in the Income Statement differs from the amount shown above because expenses relating to fixtures in investment properties are offset directly against investment income.

NOTE 8: INVESTMENT PROPERTY

Balance at beginning of year			2,500,000	2,262,800
Annual revaluation			382,500	237,200
Balance at End of Year			2,882,500	2,500,000

Investment property is valued under the fair value method, excluding an allowance for selling costs.

The values were updated at 30 June 2007 based on market valuations prepared by Brothers & Newton Pty Ltd and by Saunders & Pitt as at that date.

NOTE 9: CURRENT PAYABLES

				2007	2006
				\$	\$
Creditors				617,175	473,806
Total Current Payables				617,175	473,806
Trade creditors are normally settled within 30 days					

NOTE 10: CURRENT PROVISIONS

Annual Leave				230,602	270,505
Long Service Leave				74,041	78,016
Retirement Benefits				1,750,335	1,338,916
Total Current Provisions				2,054,978	1,687,437
Information relating to employee retirement entitlements is provided at Note 18.					

NOTE 11: NON-CURRENT PROVISIONS

Long Service Leave				365,230	366,375
Retirement Benefits				7,453,083	6,643,925
Total Non-Current Provisions				7,818,313	7,010,300
Information relating to employee retirement entitlements is provided at Note 18.					

NOTE 12: RETAINED PROFITS

Retained profits at beginning of year				4,447,761	2,791,283
Dividend Paid				(636,761)	
Total recognised income and expense for the year				456,797	1,656,478
Transfer to Asset Revaluation Reserve				(169,050)	0
Retained Profits at End of Year				4,098,747	4,447,761

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: KEY MANAGEMENT PERSONNEL

(a) Directors

The following persons were directors of the Board during the year to 30 June 2007.

(1) Non executive directors:

Mrs A F Cunningham (Chairperson)

Mr J R Fisher

Mr C J Stephens

Ms B Mathison

Ms E F Thomas

(2) Executive director:

Mr P M Maloney (Chief Executive Officer)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of The Public Trustee during the year.

Mr D M Hall

General Manager Corporate Services

Mr B P McManus

Corporate Solicitor

Mr P T Tierney

Manager Financial Operations

Mrs G C Cunningham

Manager Client Services

Mrs R Mee

Human Resources Manager



(c) Key management personnel compensation

The key management personnel compensation included as expenses for the year is:

				2007		2006
				\$		\$
Short Term employee benefits				591,377		470,836
Post employment benefits				59,014		48,582
Other long term benefits				12,690		9,731
Termination benefits				0		0
Total				663,081		529,149

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 2007.

NOTE 16: CREDIT AND LOAN FACILITIES

The Public Trustee maintained no used or unused credit standby arrangements or loan facilities as at 30 June 2007.

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) <u>Net Liability</u>	2007	2006
	\$	\$
Defined Benefit Obligation	10,958,113	10,119,256
Contributions tax liability	1,314,717	575,483
Total Defined Benefit Obligations	12,272,830	10,694,739
RBF Contributory scheme assets	(3,069,412)	(2,711,898)
Deficit	9,203,418	7,982,841
Current net liability	1,750,335	1,338,916
Non-current net liability	7,453,083	6,643,925
Total Liability	9,203,418	7,982,841

(b) <u>Funded Status</u>		
Funded	3,063,805	2,845,416
Unfunded	9,209,025	7,849,323
Total Obligation	12,272,830	10,694,739

(c) <u>Movement in Net Liability</u>				2007		2006
				\$		\$
Net liability in balance sheet at beginning of year				7,982,841		8,138,658
Expense recognised in income statement				633,579		625,702
Amounts recognised in the statement of recognised income and expense				1,219,059		(547,077)
Actual employer contributions				(632,061)		(234,442)
Net liability in balance sheet at end of year				9,203,418		7,982,841

(d) <u>Expense</u>						
Employer Service Cost				265,779		256,233
Contribution tax expense				109		30,741
Total Employer Service Cost				265,888		286,975
Interest cost				554,536		504,906
Expected return on Plan assets				(186,845)		(166,179)
Expense recognised				633,579		625,702

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

(e) <u>Statement of Recognised Income and Expense</u>						
Cumulative amount of Actuarial losses at beginning of year				440,615		987,692
Actuarial (gains) / losses recognised during year ending				1,219,059		(547,077)
Cumulative amount of Actuarial losses at end of year				1,659,674		440,615

(f) Total Defined Benefit Obligations Reconciliation	2007	2006
	\$	\$
Total Defined Benefit Obligations at end of prior year	10,694,739	10,516,649
Employer Service Cost plus operating costs	265,888	286,975
Interest cost	554,536	504,906
Actual Participant contributions	91,202	116,936
Actual operating costs	(27,509)	(24,478)
Actual Benefit payments plus Contributions Tax	(781,110)	(334,918)
Expected Defined Benefit Obligations at Year End	10,797,746	11,066,070
Actuarial (gain) / loss on liabilities	1,475,085	(371,331)
Actual Total Defined Benefit Obligations at year end	<u>12,272,831</u>	<u>10,694,739</u>

(g) Contributions Tax		
Defined Benefit Obligations at end of prior year	10,119,256	9,877,191
Fair value Plan assets at end of prior year	2,711,898	2,377,991
Net Obligation	7,407,358	7,499,201
Contributions Tax at end of prior year	575,483	639,458
Contributions tax expense	109	30,741
Expected Contributions Tax at year end	575,592	670,199
Actuarial (gain) / loss on contributions tax	739,124	(94,716)
Actual Contributions Tax at year end	<u>1,314,717</u>	<u>575,483</u>

(h) Fair value of Plan assets		
Fair value Plan assets at end of prior year	2,711,898	2,377,991
Estimated employer contributions	632,061	234,442
Estimated Participant contributions	91,202	116,936
Estimated operating costs	27,509	24,478
Estimated Benefit payments	781,110	334,918
Expected Return on Assets	186,845	166,179
Expected Assets at year end	2,813,386	2,536,152
Actuarial gain / (loss) on assets	256,026	175,746
Fair value Plan assets at year end	3,069,412	2,711,898
Estimated Actual return on plan assets	<u>463,632</u>	<u>322,606</u>

(i) <u>Expected Return on Assets</u>				2007	2006
				\$	\$
Fair value Plan assets at end of prior year				2,711,898	2,377,991
Actual Employer contributions				632,061	234,442
Weighted for timing				316,031	117,221
Actual Participant contributions				91,202	116,936
Weighted for timing				45,601	58,468
Actual operating costs (admin + insurance)				27,509	24,478
Weighted for timing				13,755	12,239
Actual Benefit payments				781,110	334,918
Weighted for timing				390,555	167,459
Average expected assets				2,669,219	2,373,982
Assumed Rate of Return				7.00%	7.00%
Calculated Expected Return on Assets				186,845	166,179
Expected Return on Assets Used in Calculation				186,845	166,179

(j) <u>Actuarial gain/(loss) for year</u>					
Defined benefit obligations (net of tax, prior year assumptions)				10,642,167	10,741,483
Contributions tax (prior year assumptions)				588,333	684,684
Defined benefit obligations (net of tax, current assumptions)				10,958,113	10,119,256
Actual contributions tax at year end				1,314,717	575,483
Actuarial (gain)/loss for year due to assumptions				1,042,330	(731,428)
Actuarial (gain)/loss for year due to experience				432,755	360,097
Actuarial (gain)/loss on assets				(256,026)	(175,746)
Actuarial (gain)/loss for year				1,219,059	(547,077)



KEY ASSUMPTIONS

Key assumptions as at balance date and for following year expense		2007	2006
Discount rate:	<i>Gross</i>	6.00%	5.80%
	<i>of tax</i>		
	<i>Net of tax</i>	5.90%	5.70%
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		14.29%	7.21%
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

Asset disclosure	2007	2006
Australian equities	30%	38%
Overseas equities	25%	20%
Fixed interest securities	20%	21%
Property	25%	21%

HISTORY

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

	2007	2006	2005
	\$	\$	\$
Total Defined Benefit Obligation at end of year	12,272,830	10,694,739	10,516,649
Actual Assets at year end	(3,069,412)	(2,711,898)	(2,377,991)
Deficit / (Surplus)	9,203,418	7,982,841	8,138,658
Experience Adjustment on Liabilities	432,755	360,097	49,134
Experience Adjustment on assets	(256,026)	(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:

				2007	2006
				\$	\$
	Cash on hand			1,050	1,050
	Cash Investment in Common Fund			330,040	289,753
	Cash at End of Year			331,090	290,803
	Cash Investment in Common Fund			330,040	289,753
	Balance of Investment in Common Fund			6,100,000	6,000,000
	Investment in Common Fund			6,430,040	6,289,753

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

	Operating Profit (Loss)			1,247,861	1,506,907
	Profit from Asset Revaluations			(480,950)	(587,200)
	Depreciation expense			54,306	63,250
	Increase in Provisions for Employee Benefits			4,772	452,022
	Increase (Decrease) in Creditors			143,369	(63,330)
	(Increase) Decrease in Debtors			28,206	(43,597)
	Dividend Paid			(636,761)	0
	Contribution to RBF liability			376,809	0
	Income Tax Equivalents Paid			(466,237)	(470,231)
	Sundry			(18,877)	14,211
	Total Cash Provided			252,498	872,032

NOTE 20: LEASING COMMITMENTS

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

	2007	2006
	\$	\$
Amounts payable not later than 1 year	17,560	76,181
Payable later than 1 year and less than 5 years	7,280	7,887
Total Amounts Payable	24,840	84,068

During the financial year ended 30 June 2007, \$80,705. was recognised as an expense in the Income Statement in respect of operating leases (\$77,312 in 2005-2006).

NOTE 21: AUDITOR'S REMUNERATION

Amounts due for the audit of financial reports:

Tasmanian Audit Office	22,318	17,450
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 2007.

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 2005-2006).

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:

	2007	2006
	\$	\$
Operating Profit	1,247,861	1,506,907
Income Tax expense calculated at 30%	374,358	452,072
Tax benefit from building allowance	(24,999)	(24,999)
Rent inducement not assessable	0	1,927
Profit on asset revaluations not assessable	(29,535)	(176,160)
Tax overprovided in previous years	0	(19,456)
Income Tax Expense on Operating Profit	319,824	233,384
(Expense) Income recognised direct to equity	(673,200)	547,077
Tax Effect of Adjustments direct to equity	(201,960)	164,123
Income Tax Expense on Operating Profit	319,824	233,384
Tax Effect of Adjustments direct to equity	(201,960)	164,123
Total Income Tax Expense	117,864	397,507
Analysis of Total Income Expense		
Income Tax Expense, current year	324,208	388,450
Increase (decrease) Deferred Income Tax Liability	162,160	(9,140)
(Increase) decrease Deferred Income Tax Asset	(368,504)	18,197
Total Income Tax Expense	117,864	397,507

- (b) Provision for Current Income Tax

Balance at beginning of year	183,242	265,023
Income tax paid	(183,242)	(170,651)
PAYG instalments paid	(282,995)	(299,580)
Current year's income tax expense	324,208	388,450
	41,214	183,242

- (c) Deferred Income Tax Liability

Timing differences between taxable and accounting income	165,465	3,306
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- (d) Deferred Income Tax Asset

Timing differences between taxable and accounting income	2,981,968	2,613,464
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NOTE 25: STATEMENT OF TAXATION EQUIVALENTS

	2007	2006
	\$	\$
Operating Profit as per Financial Statement	1,247,861	1,506,907
<u>ADD</u>		
Depreciation as per accounts	57,305	64,977
Net increase (decrease) in annual leave provision	(39,902)	39,292
Net increase (decrease) in long service leave provisions	(5,119)	21,470
Net increase in staff retirement provisions	378,327	(155,817)
Increase (decrease) in accrued expenses	36,322	15,265
(Increase) decrease in accrued rental income	11,016	30,466
Rent inducement amortised	0	6,420
TOTAL ADDBACKS	437,949	22,073
<u>DEDUCT</u>		
Tax Depreciation	40,836	45,841
Building Allowance	83,329	83,329
Profit on Asset Revaluations	480,950	587,200
TOTAL SUBTRACTIONS	605,115	716,370
TAXABLE INCOME	1,080,695	812,610
Current Tax Payable on Operating Profit	324,208	243,783
Profit over provided in previous years	0	(19,456)
CURRENT TAX PROVISION ON OPERATING PROFIT	324,208	224,327
Current Tax Provision on Operating Profit	324,208	224,327
Current Tax Provision on Actuarial Gain	0	164,123
TOTAL CURRENT TAX PROVISION	324,208	388,450

NOTE 26: ADMINISTRATION EXPENSES

The administration expenses shown in the Income Statement include expenditure on computer operational expenses, telecommunications, advertising and promotion, consultants, work contractors and insurance.

NOTE 27: 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 \$
2007 Financial Assets			
Cash		0	1,050
Investment in Common Fund	5.49	6,430,039	0
Debtors		0	421,838
Total Financial Assets		6,430,039	422,888
2007 Financial Liabilities			
Creditors		0	
2006 Financial Assets			
Cash		0	1,050
Investment in Common Fund	5.13	6,289,753	0
Debtors		0	450,044
Total Financial Assets		6,289,753	451,094
2006 Financial Liabilities			
Creditors		0	473,806

(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 28: INVESTMENT OF CLIENT FUNDS

The Public Trustee maintains four investment funds to provide clients with a prudent investment for the particular circumstances of the client.

The details of the fund assets as at 30 June 2007 are as follows.

<u>Asset Class</u>	Common	No. 1 Fund	No. 2 Fund	No. 3 Fund
	Fund			
	\$	\$	\$	\$
Cash	410,907	4,490,998	3,585,694	2,681,978
Cash Indexed Fund	52,659,451	0	0	0
Australian Equities	0	1,549,297	9,924,294	7,896,418
Australian Fixed Interest	0	3,448,247	11,018,101	8,195,247
Property Securities	0	527,481	3,305,536	2,402,083
International Equities	0	950,972	6,023,570	4,584,221
Debtors	15,184	0	0	0
Total Assets	53,085,542	10,966,995	33,857,195	25,759,947
<u>Equity</u>				
Client Funds	46,655,503	10,966,995	33,857,195	25,759,947
The Public Trustee's Funds	6,430,039	0	0	0
Total Equity	53,085,542	10,966,995	33,857,195	25,759,947

A summary of the investment flows to and from each fund and the allocations of net fund earnings are as follows.

	Common	No. 1 Fund	No. 2 Fund	No. 3 Fund
	Fund			
	\$	\$	\$	\$
Fund Value 01 Jul 2006	48,183,614	9,287,374	28,479,187	24,575,873
Capital Deposits	70,113,859	3,594,000	5,731,000	545,000
Capital Withdrawals	(65,211,931)	(2,156,000)	(1,866,000)	(650,000)
Net Earnings Retained in the Fund	0	241,621	1,513,008	1,289,073
Fund Value 30 Jun 2007	53,085,542	10,966,995	33,857,195	25,759,946
Net Earnings Retained in the Fund	0	241,621	1,513,008	1,289,073
Net Earnings Distributed to Investors	2,611,652	743,597	3,346,164	2,589,367
Total Fund Net Earnings	2,611,652	985,218	4,859,172	3,878,440

Independent Audit Report



Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

To Members of the Parliament of Tasmania

THE PUBLIC TRUSTEE

Financial Statements for the Year Ended 30 June 2007

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 The Public Trustee for the year ended 30 June 2007. 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, which 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.

Report on the Financial Statements

I have audited the accompanying financial statements of The Public Trustee, which comprise the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement from directors of the The Public Trustee.

The Responsibility of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Section 52 (1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to

obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Public Trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the The Public Trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

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

Auditor's Opinion

In my opinion the financial statements of The Public Trustee:

- (a) present fairly, in all material respects, the financial position of The Public Trustee as at 30 June 2007, and of its financial performance, cash flows and changes in equity for the year then ended; and
- (b) are in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards (including the Australian Accounting Interpretations).

TASMANIAN AUDIT OFFICE



E R De Santi
DEPUTY AUDITOR-GENERAL

Delegate of the Auditor-General

HOBART
26 October 2007

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 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.

