

Annual Report 2015/16

24 October 2016

The Hon Dr Vanessa Goodwin MLC
Attorney General
Minister for Justice
Minister for Corrections
Minister for the Arts
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 2016.

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

Yours faithfully,



Caroline Rockefeller
Director
The Board of the Public Trustee



David Benbow
Chief Executive Officer
Public Trustee

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1. Responsible Minister

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

2. 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; and
- The *Government Business Enterprises Act 1995* creates the organisation and determines how the Public Trustee is operated and controlled.

3. 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;
- 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; and
- managing funds under the control of the Public Trustee in order to provide a commercial rate of return to contributors.

4. 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

To offer specialist and independent trustee services to all Tasmanians.

Vision Statement

To be recognised for our professionalism, respected for our integrity and valued by our clients.

Values Statement

In seeking to achieve the mission and vision of the Public Trustee, the primary values of the staff, management and Board of Directors of the Public Trustee are:

- Respect – personal and professional respect for each other and our clients.
- Service – a client service focus achieved by teamwork across the whole organisation.
- Integrity – open, honest and ethical service delivery.

5. Chairperson's Report

It is my pleasure to present the Annual Report for the year ended 30 June 2016. After 12 years serving on the Board, the last three and a half of those as Chair, my term is complete and this is my final report on behalf of the organisation.

Financial Year Result

The organisation achieved a profit after tax for the financial year of \$106k compared with a profit last year of \$388k. Total comprehensive loss for the year ended 30 June 2016 amounted to \$1,808k compared to a comprehensive profit of \$2,172k for the financial year ended 30 June 2015.

Factors contributing to the total comprehensive loss were:

- total revenue from activities was 3.5% lower than last year;
- of total revenue, fees and commission decreased by 4.0% on last year and Community Service Obligation funding increased by 5.5%;
- total expenses from ordinary activities increased by 0.4% during the year. Salaries and associated expenses were up 1.9% on the prior year as a result of normal award increases. Savings in operating expenditure were made in administrative and occupancy expenses;
- depreciation expense doubled following the refurbishment of the 116 Murray Street premises which was completed in June 2015.
- dividend distributions on the Public Trustee's investment of its corporate funds was \$640k, up from \$597k in 2015;
- corporate investments decreased by \$77k in value (before tax) compared with an increase of \$590k last year; and
- the annual re-measurement of the organisation's defined benefit liability resulted in a loss of \$2,657k (before tax) significantly down on the re-measurement gain of \$1,959k in 2015.

Strategic Initiatives

Rebranding of the Public Trustee

Throughout the 2015/2016 Financial Year the Public Trustee has been working on a major rebranding of the organisation, including new imagery, refined logo and a new positioning statement, "every moment counts".

New television, radio and print advertising has been developed and commenced programming in August 2016. The rebranding of the Public Trustee has been specifically designed to enable marketing activities to be targeted at a younger demographic and therefore assist in building the long term sustainability of the organisation.

Introduction of Estate Planning fees

As part of the rebranding project the Public Trustee has introduced a fee structure for providing estate planning. Previously this service was provided at a very nominal charge which presented the challenge of being able to demonstrate the true value of this service. Concessions have been built into the fee structure to provide for those on age or disability pensions.

Estate Planning where the Public Trustee is not the executor

The Public Trustee has introduced an Estate Planning service for those who do not wish to appoint the Public Trustee as executor. As well as being a new revenue line for the organisation, the ability to provide such a service to the community will assist in building the Public Trustee's brand as an expert in the field of Estate Planning.

Dividend to Government

On the 29th August 2014, the Treasurer made public that Government Business Enterprises are required to pay 90% of net profits after tax as a dividend each year, unless a business can justify a lower pay-out policy.

The Public Trustee has an agreement with Government that a dividend will only become payable should the amount of that dividend exceed the Community Service Obligation funding gap for that year.

No dividend will be paid to Government in respect of the financial year ended 30 June 2016 as the Public Trustee's operating profit after tax for the year ended 30 June 2016 did not exceed the Community Service Obligation funding gap.

Community Service Obligation Agreement with Government

An important service provided by the Public Trustee of Tasmania is the financial management of affairs for clients appointed to the Public Trustee by order of the Guardianship and Administration Board (GAB).

As at 30 June 2016 the Public Trustee managed the affairs of 571 Community Service Obligation Represented Person clients, an increase of 12 of these clients in comparison with the same period last year.

The current Community Service Obligation Agreement with Government commenced from the 1st July 2014 for a three-year period. The review recognised the degree of underfunding in the previous agreement, and as a result Community Service Obligation funding has been increased by \$50,000 per annum over previous funding in order to reduce the shortfall.

In addition, the Government has determined not to seek payment of a dividend while the amount of any dividend is less than the funding gap. This is to be reviewed on an annual basis.

During this financial year Treasury and the Public Trustee completed a review of the fees and charges being applied to Community Service Obligation (CSO) Represented Persons (RP) who are clients of the Public Trustee via appointment by the Guardianship and Administration Board. The outcome of the review resulted in a reduced fee structure for CSO RP clients. The resulting cost of this fee reduction to the Public Trustee will be shared equally by Government and the Public Trustee from the 1st July 2016. The full cost of this initiative was funded by the Public Trustee from the implementation date of the 1st January 2016 to the 30 June 2016.

The current CSO agreement expires on 30 June 2017 and the organisation has commenced working on negotiating a new agreement with Treasury.

Governance matters

As in previous years, the Directors and Senior Managers undertook a facilitated review of the organisation's Corporate Plan. The strategies identified have formed and will continue to form the basis of action items for the Board and the organisation over the next four years.

The Public Trustee regularly reviews its various strategies and policies. The Risk Management and Business Continuity Plans are reviewed annually.

Corporate governance continues to be a matter of focus for the Board. All Directors are graduates of the Australian Institute of Company Directors (AICD) through which they maintain their professional development and corporate governance knowledge. Due to the significant change in membership through the year no formal Board Review has been undertaken in this period, instead we have focused on the skill sets Directors bring to the table and the gaps needed to be filled by the ongoing renewal of the Board while ensuring appropriate gender diversity.

The Board of the Public Trustee is currently progressing through a major transition. During this financial year Beth Mathison and Peter Blackwood retired from the Board and we welcomed Tracy Matthews and Barbara Hingston for their first term as Directors. Liz Gillam continues as an ongoing Board member but Caroline Ruckerfeller will shortly complete her appointment to the Board in the coming months after over six years of service to the organisation.

I have enjoyed working with the Directors named and those that have preceded them in my time on the Board as in all instances they have brought and continue to bring a dedicated and collegiate approach to their roles. This has contributed to making my tenure with the Public Trustee, as both a Director and Chairperson, a most rewarding experience.

I would like to acknowledge David Benbow, his Executive Management Team and all the staff of the Public Trustee for their efforts and contribution during the financial year and in particular their assistance to myself as Chairperson and the Board during that time.

In particular I would like to highlight David's effort over his two and a half years with the Public Trustee as he has worked to introduce significant change and improvement in the organisations operations. I am particularly proud of my role in his appointment and, while there is still a way to go, am confident I leave the Public Trustee as an improved organisation and in good hands for the future.

Finally, I would like to wish the new Chairperson and renewed Board ongoing success in their governance role for the Public Trustee.

A handwritten signature in black ink, appearing to read 'Craig Stephens', with a long horizontal flourish extending to the right.

Craig Stephens

Chairperson

Board of the Public Trustee

6. Chief Executive Officer's Report

I have pleasure in presenting my report for the financial year 2015-16.

Client Management System Project

The Public Trustee commenced a key IT project in 2015 intended for completion in November 2016. A Client Management System is being developed that will provide customer service improvements and organisational productivity gains. This system will replace the predominately paper-based file system currently utilised by the Public Trustee.

The system will provide the organisation with greater flexibility when considering work allocation across the three administration centres located in the State. Client outcomes, including communication and timeliness, will be improved significantly as a result of the ability to review files online rather than requiring access to the physical paper file.

This system will complement the current trust accounting system utilised by the Public Trustee (called TACT) by providing document workflow functionality along with significant improvements in marketing products and services to existing and potential clients.

Marketing Strategy 2015/16 – 2018/19

As mentioned in the Chairperson's report the Public Trustee has developed a revised marketing strategy which includes rebranding, revised website and associated advertising material. The revised website has been specifically developed to enable the Public Trustee to develop more sophisticated digital marketing strategies. The organisation will also build on the new brand by implementing targeted business development plans for the target demographic, being 35 to 49-year-old females.

Beneficiary Survey

The Public Trustee has incorporated survey data collection into normal business practice. During this year, 527 surveys were sent to deceased estate beneficiaries, our largest client group, to measure our success in delivering excellent client service and managing client expectations. A response rate of 19% was achieved.

Of those beneficiaries that responded, 82% stated that Public Trustee provided an efficient and accurate administration service. Overall, the survey found that satisfaction with our service remained high and in many areas improved. These surveys will continue into the future as a way of gathering important feedback to develop strategies for ongoing service improvement.

The excellent survey results reflect the pride taken by Public Trustee staff in the professional services they provide on a daily basis.

Represented Persons Survey 2016

During this year, the Public Trustee undertook its bi-annual survey of clients who have been appointed to the Public Trustee by an order of the Guardianship and Administration Board.

The Public Trustee utilised an external service provider to undertake the research project to provide an objective and independent assessment of the service delivery to this large group of clients. The 2016 project comprised three key objectives: -

- an accurate snapshot of the Guardianship client relationship in terms of key quantitative elements (KPI's) and relevant qualitative feedback (verbatim comments).
- tracking of service delivery performance indicators with reference to the baseline survey results; and
- positive public relations exercise with the opportunity for clients and their support network agents to "have their say" about their service experience and further expectations.

The survey comprised interviews by telephone directly with independent clients and on behalf of supported clients via interviews with support network contacts.

In total 186 interviews were completed with 80 independent clients and 106 supported clients (via 88 support network contacts) representing 24 % of the total client population.

Overall the results of the survey were pleasing with high levels of satisfaction from both independent clients and network support contacts across a range of performance indicators. The results indicate that satisfaction with Public Trustee as a financial manager has increased from the baseline survey.

This feedback will enable us to continue to improve service delivery with a closer matching of available resources to service expectations.

Community engagement

The Public Trustee engages with various community groups across Tasmania each year via a program of educational activities and seminars. The main objective of this program is to raise the awareness of our products and services.

In September 2015, The Public Trustee held its premier seminar during Seniors Week, along with the Office of the Public Guardian. Three events were held state-wide, in Devonport, Launceston and Hobart. As in previous years the seminars explained the importance and the difference between Enduring Powers of Attorney and Enduring Guardianship. It was again interesting to note that many adult children attended with their parents to ensure that both generations understood the responsibilities and expectations of being an Attorney or Guardian.

Comparative figures for Wills written by the Public Trustee and seminars held across the State are shown below.

	2015/16	2014/15
New Wills	482	629
Revision Wills	756	931
Seminars and presentations held	41	29
Seminar and presentation attendees	1070	959

Information Updates

The Public Trustee produces a bi annual newsletter that is either emailed or mailed to clients and stakeholders. Copies of the newsletter are also available on our website.

Funds Management

The Public Trustee is responsible for the management of client funds arising from a number of differing circumstances. This diversity of circumstances requires the Public Trustee to implement investment strategies for clients for varying time frames.

This requirement to consider investment risk is managed by the Public Trustee collectively investing client and trust funds into one of three available investment funds. The Common Fund is cash based and is utilised for circumstances where there is no appetite for investment risk due to a limited investment timeframe. The other two investment funds invest in a varying mix of asset classes increasing the level of investment risk but also having an expectation of higher investment returns over longer periods.

The Public Trustee directly manages investments in the Common Fund and outsources investment management of the Group Investment Fund number 1 and 2.

People and Culture

The Public Trustee recognises and acknowledges our greatest asset is our workforce who play a crucial role in the delivery of efficient and effective services to our clients. To ensure our people have the knowledge, skills and support they need to undertake their roles, the year in review has seen a focus on the following key areas.

Organisational Development

Key development activities during the year include refresher training for our Wardens, First Aiders and Workplace Diversity Contact Officers to ensure their accreditation remains current; annual taxation and legal training; anti-discrimination training; completion of an ethical decision making at work and an online social media training module; and a continued focus on management development to ensure our managers are equipped with the knowledge and skills they require to provide effective leadership across the Organisation.

Work Health and Safety

Maintaining a healthy and safe workplace is a high priority for the Public Trustee. The development and implementation of a Work Health and Safety Management Plan ensures systems and process are in place to reduce health and safety risks through hazard identification, risk assessment and the implementation of risk control measures. Annual training for all employees and two-yearly training for managers ensures our people have the knowledge they need to contribute to a safe and healthy working environment.

Performance Management

The Public Trustee recognises that effective employee performance is critical to the achievement of our goals and the delivery of quality services to our clients. This includes both work performance and workplace behaviours. The Public Trustee has developed a Performance Management Agreement System (PMAS) to facilitate the clear identification of performance expectations and the provision of regular, constructive feedback on individual annual Performance Management Agreements (PMAs) developed for all employees. This year 100% of our employees (excluding those subject to our probation process and casuals) have a PMA in place.

Workplace Diversity

Our Workplace Diversity Program encompasses both the recognition and utilisation of diversity in the workplace and the community. We are committed to the principles of recognising and utilising diversity in the workplace and the community we serve; ensuring our human resource management policies and practices provide for fair and equitable access to employment, promotion and personal development; and ensuring that our workplace is free from any workplace harassment, discrimination, favouritism, bias and unfair treatment. Every employee of the Public Trustee is aware of his/her personal responsibility to uphold the principles of workplace diversity through regular training and engagement with the Diversity Program.

Employee Wellbeing

Our employees have access to a number of initiatives provided to ensure their wellbeing whilst at work. These include subsidised workplace massage; an Employee Assistance Program; a Dietitian service; flexible working hours; flu vaccinations; manual handling training; stress awareness sessions; ergonomic stretching software; availability of sit/stand desks; ergonomic assessments at induction and as required; and subsidised participation in the Global Corporate Challenge.

Communication

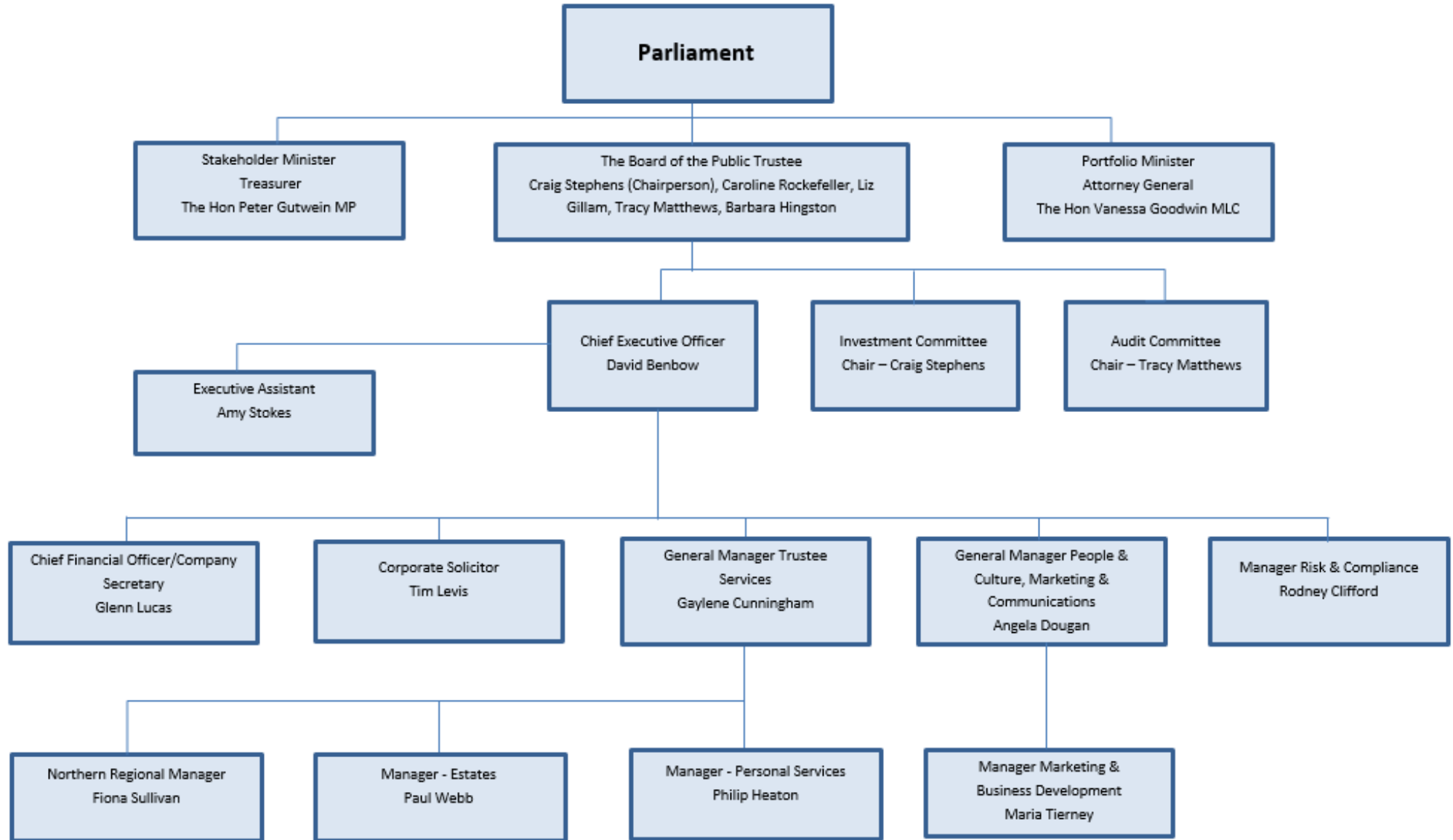
The development of an intranet site has fostered improved communication with our employees. The site enables key messages regarding our business to be communicated to employees on a 'real time' basis, ensuring employees feel involved and informed.

Concluding, I would like to acknowledge the invaluable support I have received from the Board of Directors and the commitment of the Public Trustee team.

A handwritten signature in black ink, consisting of several fluid, overlapping loops and a final sharp point on the right side.

David Benbow
Chief Executive Officer

7. Structure of the Public Trustee



8. Corporate Governance

The Board of the Public Trustee

The Public Trustee is a Government Business Enterprise owned by the Government on behalf of the Tasmanian Community. It is established under the *Government Business Enterprises Act 1995*.

The Board of the Public Trustee is responsible to the Treasurer and the Attorney General for managing and conducting the business and affairs of the Public Trustee in accordance with sound commercial practice. It ensures that the Public Trustee performs its statutory obligations.

In carrying out its responsibilities, the Board:

- sets the strategic direction of the organisation;
- secures and monitors organisational performance;
- ensures compliance with statutory requirements; and
- manages risk.

The Board currently comprises five independent Directors. All Directors are appointed by the Treasurer and the Attorney General on the recommendation of the Board. Directors are selected on the basis of their complementary skills and ability to add value to the Board. Directors are appointed after consideration by the Government Director Selection Advisory Panel.

A number of committees have been established to assist the Board in carrying out its functions and responsibilities.

One of the major responsibilities of the Board is to manage risk, not only in the interest of the Public Trustee, but also to protect the interest of its clients. The Audit Committee is responsible for monitoring corporate risk assessment processes and controls the establishment of, and ongoing compliance with, an internal risk control framework.

The Public Trustee manages large sums of money on behalf of its clients. It has established an Investment Committee which also has responsibility for the oversight of the organisation's investment review processes to ensure that appropriate client investment decisions are made.

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.

Board members:

Craig Stephens BCom

Chairperson as from April 2013 to October 2016

Board Member October 2004 to October 2016

Chairperson of the Investment Committee

Member of the Audit Committee

Graduate member of the Australian Institute of Company Directors

Craig is a Chartered Accountant. His background in corporate accounting, risk management and auditing provide an important contribution to the Board skill set. Craig is a key contributor to the Board's budgeting and financial management processes.

Beth Mathison BA, Grad Dip IR & HR, MBA

Board Member March 2007 to January 2016

Chairperson of the Audit Committee April 2013 to January 2016

Fellow of the Australian Institute of Company Directors

Fellow of the Australian Institute of Management

Beth's wide ranging experience including strategic and business planning, governance, financial advice and feasibilities, contract negotiations, profitability improvement, marketing and human resource management has been gained during the course of an extensive career as CEO, Managing Director and Consultant in private, corporate and not-for-profit sectors in Australia and the UK.

Beth is currently a Director of St Michael's Collegiate School, Managing Director of Centaur Business Networks Pty Ltd and has previously held Directorships of the MS Society of Tasmania, HR Workbench International Sydney, Cameron Park Pty Ltd Scotland, Super Bee Pty Ltd Queensland and was a member and VP of the Australasian Management Board of SIRVA Corporation, NY.

Peter Blackwood

Board Member January 2010 to April 2016

Member of the Audit Committee

Fellow of the Australian Institute of Company Directors

Prior to joining the Board Peter had a long career in the not-for-profit sector having been CEO of Oak Tasmania. Peter brings with him extensive experience in the community sector and is currently also a Director of Common Ground Tasmania.

Caroline Rockefeller BCom

Board Member January 2010

Member of the Investment Committee

Graduate member of the Australian Institute of Company Directors

Caroline has an extensive private sector background in the banking and financial services sector which has given her an understanding of financial markets and investment principles. This is particularly valuable in her role as a member of the Public Trustee's Investment Committee.

Liz Gillam LLB

Board Member December 2013

Member of the Investment Committee

Graduate and Fellow of the Australian Institute of Company Directors.

Liz has significant experience at an executive level within the Tasmanian Government and has many years' experience as a senior policy person and executive with the Local Government Association of Tasmania. At the present time she is the Chair of the Tasmanian Electoral Commission, a member of the Tasmanian Integrity Commission, member of the Local Government Board and member of the Hobart Women's Shelter Board.

Tracy Matthews BCom FCA FAICD

Board Member January 2016

Chair of the Audit Committee

Fellow of the Australian Institute of Company Directors

Fellow of the Institute of Chartered Accountants Australia and New Zealand

Tracy is a chartered accountant and non-executive director with experience across a broad range of sectors and industries. Tracy's core skills are in the areas of accounting, governance, audit and risk, funds management, business and strategic planning. She also facilitates governance training courses for the Australian Institute of Company Directors.

Tracy is currently a Non-Executive Director of TasPorts; Chair of the Tasmanian Building and Construction Industry Training Board, Vice Commodore of the Royal Yacht Club of Tasmania, Director of a private Philanthropic Foundation and Family Group, and Independent Chair of the Audit Committees for the Tasmanian Office of the Auditor General and NRM South Inc.

Barbara Hingston BA, BSW, MAASW GAICD

Board Member May 2016

Member Investment Committee

Barbara brings substantial executive and governance experience in the not-for-profit sector to the Board. She is a professional Non- Executive Director and consultant to government and non-government organisations in governance and strategy, service performance and stakeholder engagement.

Barbara has worked with national, state wide and local organisations in the health, mental health and community service sector in the ACT, Queensland, Victoria, and Tasmania where she is a Director of the inaugural Tasmanian Health Service Governing Council.

CEO Performance Review

The performance of the CEO is reviewed annually against a performance management agreement. The review is conducted by the Chairman of the Board with outcomes reported to the full Board.

Code of Conduct

The Board has adopted a Code of Conduct for Directors. Please refer to our website www.publictrustee.tas.gov.au for further information.

Board Attendance

The number of Board and Committee meetings held in the period each Director held office during the financial year ended 30 June 2016 and the number of meetings attended by each Director is as follows:

	Board Meetings		Audit Committee		Investment Committee	
	Number Held	Number attended	Number held	Number attended	Number held	Number attended
Craig Stephens	13	13	4	4	6	6
Beth Mathison	7*	7	1	1	N/A	N/A
Caroline Rockefeller	13	12	1*	1	6	6
Liz Gillam	13	10	1*	1	6	5
Peter Blackwood	10*	9	3	3	N/A	N/A
Barbara Hingston	2*	2	N/A	N/A	N/A	N/A
Tracy Matthews	5*	4	2	2	N/A	N/A

* Beth Mathison retired as a Director in January 2016

* Peter Blackwood retired as a Director in April 2016

* Barbara Hingston was appointed as a Director and member of the Investment Committee in May 2016

* Tracy Matthews was appointed as a Director in February 2016. Ms Matthews became Chairman of the Audit Committee in May 2016

* Liz Gillam became a member of the Audit Committee and ceased being a member of the Investment Committee in May 2016

* Caroline Rockefeller attended an Audit Committee meeting in February 2016

Disclosure requirements

Directors have the right to seek independent professional advice in relation to matters pertaining to the Public Trustee and their role as a Director. The cost of that advice will be paid by the Public Trustee. When seeking such advice, Directors are required to inform the Chairperson in advance.

9. Statement of Corporate Intent

The Statement of Corporate Intent (SCI) is a high level summary of the Corporate Plan and includes a performance agreement between the Board of the Public Trustee and the Shareholding Ministers.

The Performance Agreement details the key financial and non-financial targets for the Public Trustee, as agreed between the Board and the Shareholding Ministers through an annual Corporate Planning process. It also details estimates for the following three years.

The SCI has been prepared in accordance with the Ministerial Charter for the Public Trustee.

Strategic Direction

The Public Trustee is a Government Business Enterprise (GBE) established by the *Public Trustee Act 1930*. Principal commercial activities undertaken include the provision to the general community of access to professional advice and service in relation to trustee services including:

- preparation of Wills;
- estate administration;
- trust management and powers of attorney; and
- protection of the financial interests of individuals under a legal, physical or intellectual disability where the Public Trustee is appointed to act on their behalf.

The strategic direction of the Public Trustee for the period of the Corporate Plan focuses on the implementation of strategies designed to increase market share in the commercial deceased estate administration business and the efficiency and profitability of the Public Trustee, consistent with its Community Service Obligations.

Over the Corporate Plan period the Public Trustee will be focussed on:

- building its commercial business base to ensure the commercial success of the Public Trustee;
- shaping and promoting the public profile of the Public Trustee within the Tasmanian community;
- increasing efficiencies in business processes through innovation and continuous improvement; and
- delivery of higher quality of client service through continuous improvement.

On 29 August 2014, the Treasurer made public that Government Business Enterprises are required to pay 90% of net profits after tax as a dividend each year, unless a business can justify a lower pay-out policy. The Public Trustee has an agreement with Government that a dividend will only become payable should the amount of that dividend exceed the Community Service Obligation funding gap for that year.

10. Key Performance Indicators

The Performance Agreement regarding the key financial and non-financial targets for the year ended 30 June 2016, year ending 30 June 2017 and estimates for the following three years is detailed in the tables below.

Financial Returns to Government

	Target 2016-17	Estimates		
		2017-18	2018-19	2019-20
Dividends Paid (\$ '000)	-	-	-	-
Tax Equivalents Paid/(Refund) (\$ '000)	(123)	42	83	183
Total	(123)	42	83	183

Financial Targets

	Target 2016-17	Estimates		
		2017-18	2018-19	2019-20
Operating Expenditure (\$'000)	8,121	8,236	8,374	8,666
Operating Profit/(Loss) After Tax (\$'000)	98	195	426	385
Total Comprehensive Income (\$'000)	269	369	600	559
Capital Expenditure (\$ '000)	540	100	100	100
Operating Margin	1.02	1.03	1.07	1.06
Return on Assets (%)	0.6%	1.3%	2.7%	2.4%
Return on Equity (%)	5.4%	7.0%	10.6%	9.1%
Capital Adequacy (%)	9.3%	11.5%	14.6%	17.4%

Key Non-Financial Performance Indicators

	Target 2016-17	Estimates ¹		
		2017-18	2018-19	2019-20
Number of total new Wills written	790	950	1,200	1,300
Beneficiary survey results (overall satisfaction rating)	75%	80%	85%	90%
Will client survey results (overall satisfaction rating)	100%	100%	100%	100%

Community Service Obligations

In line with the terms of the Public Trustee's Ministerial Charter, the Government will provide funding to assist in meeting the cost of non-commercial activities (Community Service Obligations) required to be undertaken by the Public Trustee.

The Public Trustee performs the following Community Service Obligations on behalf of the Government:

- administration of Absolute Estates with a gross asset value of less than \$60,000.
- administration of Continuing Trust and Life Tenancy Estates with a gross asset value of less than \$100,000.
- administration and management of Minor Trusts with a gross asset value of less than \$20,000; and
- management of assets for Represented Persons with a gross asset value of less than \$100,000.

The Public Trustee has entered into a Community Service Obligation Agreement for three years effective from 1 July 2014 to 30 June 2017. A summary of the maximum funding amounts set out in the agreement is set out as follows:

CSO Funding	Target 2016-17	Estimates		
		2017-18	2018-19	2019-20
Community Service Obligations (\$ '000)	1,728	1,800	1,836	1,873

Note: Additional Community Service Obligation funding totalling \$0.250 million per annum has been included in the financial projections as a result of Represented Persons Community Service Obligation fee changes. This additional funding is not included in the current Community Service Obligation Agreement.

¹ Targeted to be equal to or greater than estimates

Definitions

Operating Profit Before Tax means Operating revenue less operating expenditure.

Comprehensive income includes re-measurement of defined benefit obligation and fair value movements in investments in managed funds (net of related tax)

Total comprehensive income means Operating profit for the year after tax + Comprehensive income.

Operating Margin means Operating revenue / operating expenditure.

Return on Assets means Operating Profit before Tax / [(Opening Assets + Closing Assets)/2].

Return on Equity means Total comprehensive income/[(Opening Equity + Closing Equity)/2].

Capital Adequacy means Tangible Reserves / Tangible Assets.

11. Financial Commentary

The Statement of Corporate Intent sets out the key financial and non-financial targets for 2015-16. The actual performance against these targets is shown below.

Financial Returns to Government

	Target 2015-16	Actual 2015-16
Dividends Paid (\$ '000)	-	-
Tax Equivalents Paid (\$ '000)	130	262
Total	130	262

Financial Targets

	Target 2015-16	Actual 2015-16
Operating Profit Before Tax (\$ '000)	142	107
Operating Profit After Tax (\$'000)	99	106
Net Profit / (Loss) after Tax (\$000)	277	(1,808)
Capital Expenditure (\$ '000)	887	1,189
Operating Margin	1.02	1.01
Return on Assets (%)	0.7%	0.5%
Return on Equity (%)	4.1%	(31.5%)
Capital Adequacy (%)	24.8%	7.2%

The key financial target results have been impacted by the unfavourable re-measurement of defined benefit liabilities.

Non-Financial Targets

	Target	Actual
	2015-16	2015-16
Number of new Wills written	800	482
Number of revised Wills written	1,000	756
Beneficiary survey results (%)	75%	82%
Will client survey results (%)	85%	100%

Capital Structure

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

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 2016 the Public Trustee employed 50.19 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 2016, matters classified as Community Service Obligations accounted for 49% (2015: 50%) of the matters administered by the Public Trustee. The net avoidable cost to meet these obligations for the 2016 financial year was \$2,363,435 (2015: \$2,059,886).

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 for the 2016 financial year was \$1,642,000 (2015: \$1,556,000).

Community Service Obligation Performance

The Community Service Obligation (CSO) agreement with the Crown requires the Public Trustee to report on specified performance indicators. An annual report on these performance indicators is set out below.

1 Policy and procedures

Performance indicator: The Public Trustee is to ensure that its internal policies and procedures comply with all its duties and obligations and that staff are operating accordingly. This will be assessed through the Public Trustee's regular quarterly compliance reviews.

Performance: A summary of compliance activity on CSO clients for the year ended 30 June 2016 is as follows:

	Number of files reviewed by compliance	Files with items of non-compliance raised
July 2015 – June 2016	224	24

2 Monitoring

Performance indicator: The service standards for each category of CSO client are to be measured internally on an ongoing basis using appropriate benchmarks.

Performance:

Trusts

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	93
Initial management plan: * determination of client needs * meeting with client / family	85	100
Preparation and lodgement of taxation requirements	95	100
Annual client contact	95	100
Client contact – Minor Trusts	90	100

Estates

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	95
Deceased estate procedures fully explained	85	100
Grant of administration	95	68
TPT services letter dispatched	85	100
Completion of absolute deceased estates	80	60

Represented persons

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	100
Attendance at GAB hearing	100	95
Initial management plan: * initial statement * prudent person review * TPT fee collection	85	100
Preparation of Annual Financial Plan * Annual statement	95	100
Preparation of Admin Order review report	95	100
Pension review	90	100
Preparation and lodgement of taxation requirements	100	100
Client visit	80	100

3 Staffing

Performance indicator: The Public Trustee will have in place an induction program for new staff members involved in service provision. Further relevant training will be provided on an ongoing basis to both new and existing staff members.

Performance: During the reporting period, three Client Account Managers (CAMs) were appointed and they are currently undertaking a specific CAM Induction Program. This program follows the generic induction program delivered to all new permanent Public Trustee employees. Further, the program provides new CAMs with the specific knowledge and skills required to undertake their role. The duration of the program is approximately six months.

4 Complaints

Performance indicator: The Public Trustee will have in place a comprehensive policy on complaints handling including timeframes for resolving complaints. The number of complaints for each category of CSO client will be reported to Treasury on a half-yearly basis.

Performance:

The number of complaints for each category of CSO client was as follows:

Category of CSO client	Number of complaints	Substantiated	Not Substantiated
Absolute estates, continuing trusts & life tenancies	1	Nil	1
Represented persons	5	1	4
Trusts	Nil	Nil	Nil
Total	6	1	5

Policy and procedural changes

Effective from 1 January 2016 the Public Trustee introduced new policy and procedure for complaints handling. The policy and procedure provide guidelines for the appropriate monitoring of and response to complaints received by the Public Trustee as part of a comprehensive framework of governance and accountability for optimum service provision which are in the best interest of clients.

The information obtained through the complaints handling process will lead to improvements in services, processes and ensure any complaints are properly managed. It will improve the reputation of the Public Trustee as it provides confidence in the consistent treatment of complaints.

5 Operating initiatives

Performance indicator: Progress on any initiatives to improve the efficiency and/or quality of service being delivered to CSO clients.

Performance: Status reports on the major initiatives that are expected to either fully or in-part improve the efficiency and / or quality of services being delivered to CSO clients is set out below.

Standards, Management and Services project

This project was intended to engender greater accountability and productivity from the Trustee Services team. The project has been closed and resulted in: improved monitoring of estates under administration aged in excess of 12 months; a reduction in the number of reported incidents of policy and procedure breaches; and, improved performance with standards and services levels across branches.

Service delivery review

A review of the product distribution model utilised by the Public Trustee has been completed. Efficiency measures from the report that have been implemented are in respect of: mail, telephony, payments processing and daily death process. The appointment of a single manager responsible for the North and North-West of the State has been made. A new position has been created for a Solicitor to provide legal services for the North and North-West of the State.

Refurbishment of the 116 Murray Street site

The refurbishment of 116 Murray Street will improve operational efficiency and culture, and most importantly improve the customer experience for all clients of the Public Trustee. The refurbishment was finalised in the six months ended 31 December 2015.

TACT upgrade

TACT is the Public Trustee's client trust accounting system. The Board approved five enhancements to TACT in November 2015. The enhancements are expected to improve the operating effectiveness and efficiency of TACT. The specifications for three of the five enhancements have been implemented.

CMS implementation

In January 2015 the Board approved a project to implement a new Client Management System (CMS). Detailed scoping of the CMS has been completed and a business case supporting the final costed scope of works for this project was approved in December 2015.

12. Financial Statements



ABN 11 223 649 773

Financial Statements 30 June 2016

12 August 2016

The Board of Directors
Public Trustee
116 Murray Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

In relation my audit of the financial report of Public Trustee for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of Australian Auditing Standards in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual report.

Yours sincerely



E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

... 1 of 1

Statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Continuing operations			
Revenue	4	7,359	7,666
Other income	5	681	670
Total revenue		8,040	8,336
Administrative expenses		(1,695)	(1,863)
Depreciation expense		(210)	(102)
Employee benefits expense	6	(5,082)	(4,989)
Finance expense	6	(529)	(523)
Occupancy expenses		(417)	(424)
Total expenses		(7,933)	(7,901)
Profit before income tax equivalent		107	435
Income tax equivalent expense	7a	(1)	(47)
Profit for the year		106	388
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	18	(2,657)	1,959
Related tax	7c	797	(588)
		(1,860)	1,371
Items that are or may be reclassified to profit or loss:			
Fair value movement in investments in managed funds		(77)	590
Related tax	7c	23	(177)
		(54)	413
Other comprehensive income / (loss), net of tax		(1,914)	1,784
Total comprehensive income / (loss)		(1,808)	2,172

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	2,737	3,677
Trade and other receivables	12	473	305
Current tax receivable		69	-
Prepayments		104	4
Total current assets		3,383	3,986
Non-current assets			
Other financial assets	13	12,197	12,281
Deferred tax assets	16	4,131	3,248
Plant and equipment	14	1,663	1,365
Total non-current assets		17,991	16,894
Total assets		21,374	20,880
Liabilities			
Current liabilities			
Trade and other payables	15	795	1,296
Current tax liabilities		-	130
Provisions	17	1,384	1,329
Total current liabilities		2,179	2,755
Non-current liabilities			
Provisions	17	13,825	10,947
Total non-current liabilities		13,825	10,947
Total liabilities		16,004	13,702
Net assets		5,370	7,178
Equity			
Retained earnings		4,376	6,130
Reserves	19	994	1,048
Total equity		5,370	7,178

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2016

	Note	Fair value reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2014		635	4,633	5,268
Total comprehensive income				
Profit		-	388	388
Other comprehensive income		413	1,371	1,784
Total comprehensive income		413	1,759	2,172
Transactions with owners of the Entity				
Dividends	10	-	(262)	(262)
Total transactions		-	(262)	(262)
Balance at 30 June 2015		1,048	6,130	7,178
Balance at 1 July 2015		1,048	6,130	7,178
Total comprehensive income / (loss)				
Profit		-	106	106
Other comprehensive income / (loss)		(54)	(1,860)	(1,914)
Total comprehensive income		(54)	(1,754)	(1,808)
Transactions with owners of the Entity				
Dividends	10	-	-	-
Total transactions		-	-	-
Balance at 30 June 2016		994	4,376	5,370

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from clients		7,519	8,287
Payments to suppliers and employees		(7,587)	(7,694)
Interest received		39	67
Income tax equivalent paid		(262)	(237)
Net cash from operating activities	21	<u>(291)</u>	<u>423</u>
Cash flows from investing activities			
Distributions from financial assets		540	632
Proceeds from disposal of plant and equipment		-	5
Purchase of plant and equipment		(1,189)	(472)
Net cash provided by investing activities		<u>(649)</u>	<u>165</u>
Cash flows from financing activities			
Dividends paid		-	(262)
Net cash used in financing activities		<u>-</u>	<u>(262)</u>
Net increase in cash held		(940)	326
Cash and cash equivalents at the beginning of year	11	<u>3,677</u>	3,351
Cash and cash equivalents at the end of year	11	<u><u>2,737</u></u>	<u><u>3,677</u></u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2016

Note 1. Reporting entity

The Public Trustee ("the entity") is a for-profit Tasmanian Government Business Enterprise operating since 1853 offering professional, independent trustee services to the Tasmanian community. The duties and obligations of the entity are set out in the *Trustee Act 1898* and the *Public Trustee Act 1930* determines the constitution and regulation of the entity.

The Public Trustee's Australian Business Number is 11 223 649 773. Its principal place of business is 116 Murray Street, Hobart, Tasmania.

Note 2. Basis of accounting

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"), the *Government Business Enterprise Act 1995* and related Treasurer's Instructions. The financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). They were authorised by the directors for issue on 12 August 2016. Details of the entity's accounting policies are included in Note 30.

Rounding

The entity is of a kind referred to in Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated.

Note 3. Use of judgements and estimates

In preparing these financial statements judgements, estimates and assumptions have been made that affect the application of the entity's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Key estimates

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

(i) Impairment - general

The entity assesses impairment at each reporting period by evaluation of conditions and events specific to the entity that may be indicative of impairment triggers. There was no impairment recognised in the current year.

(ii) Employee benefits

Assumptions utilised in the determination of the entity's employee entitlement provisions are discussed in note 31 (g).

(iii) Financial instruments

Assumptions utilised in the determination of the entity's valuation of its investment are discussed in note 26.

(iv) Defined benefit superannuation fund obligations

Actuarial assumptions utilised in the determination of the entity's defined benefit superannuation fund obligations are discussed in note 18.

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 4. Revenue		
Fees and commissions	5,717	6,110
Funding of community service obligations	1,642	1,556
	<u>7,359</u>	<u>7,666</u>

Note 5. Other income

Dividends received from other persons	640	597
Interest received from other persons	39	67
Rent	2	1
Proceeds on disposal of property and equipment	-	5
	<u>681</u>	<u>670</u>

Note 6. Net profit for the year

Profit before income tax includes the following specific expenses:

Expenses

Employee benefits expense		
- wages and salaries	3,672	3,590
- defined benefits superannuation service cost (note 18)	135	205
- long service leave	175	122
- recreation leave	439	401
- superannuation	334	333
- other associated personnel expenses	327	338
	<u>5,082</u>	<u>4,989</u>
Finance expenses		
- defined benefits superannuation interest cost (note 18)	529	523

Notes to the financial statements

for the year ended 30 June 2016

2016	2015
\$'000	\$'000

Note 7. Tax equivalent expense

a. The components of income tax equivalent expense comprise:

Current tax	63	269
Deferred tax	<u>(64)</u>	<u>(222)</u>
	<u>(1)</u>	<u>47</u>

b. The prima facie income tax equivalent on profit before income tax is reconciled to income tax equivalent as follows:

Prima facie tax payable on profit before income tax at 30% (2015: 30%)		
- Entity	32	130
Add tax effect of:		
- Entertainment	1	1
- Other	-	3
- Under provision for income tax in prior years	7	-
Less tax effect of:		
- available franking credits	(40)	(37)
- foreign tax credits	-	(3)
- non-assessable tax deferred amounts	(1)	-
- taxable capital gain / (non-taxable capital gain)	<u>-</u>	<u>(47)</u>
Income tax attributable to entity	<u>(1)</u>	<u>47</u>

c. Tax effects relating to each component of other comprehensive income:

<i>Remeasurement of defined benefit liability</i>		
Before tax amount	(2,657)	1,959
Income tax equivalent (expense) benefit	<u>797</u>	<u>(588)</u>
Net-of-tax amount	<u>(1,860)</u>	<u>1,371</u>

Fair value movement in investments in managed funds

Before tax amount	(77)	590
Income tax equivalent (expense) benefit	<u>23</u>	<u>(177)</u>
Net-of-tax amount	<u>(54)</u>	<u>413</u>

Notes to the financial statements

for the year ended 30 June 2016

Note 8. Key management personnel compensation

The aggregate compensation to key management personnel of the entity is set out below

	2016 \$'000	2015 \$'000
Short-term employee benefits	570	540
Post-employment benefits	52	48
Termination benefits	118	-
	<u>740</u>	<u>588</u>

(a) Director remuneration

The following table discloses the remuneration details for each person that acted as a director during the current and previous financial years:

2016					
Director Remuneration	Directors' fees \$'000	Committee fees \$'000	Superannuation \$'000	Other \$'000	Total 2016 \$'000
Non-Executive Directors					
Mr C Stephens - Chairperson	36	3	4	-	43
Ms L Gillam	20	1	2	-	23
Mr P Blackwood	20	1	2	-	23
Ms B Mathison	15	1	2	-	18
Ms C Rockefeller	20	2	2	-	24
Ms T Matthews	4	-	-	-	4
Total	115	8	12	-	135

Ms B Hingston became a Board member effective from 27 May 2016. Ms Hingston's remuneration to 30 June 2016 was paid in July 2016.

2015					
Director Remuneration	Directors' fees \$'000	Committee fees \$'000	Superannuation \$'000	Other \$'000	Total 2015 \$'000
Non-Executive Directors					
Mr C Stephens - Chairperson	35	3	4	-	42
Ms L Gillam	20	2	2	-	24
Mr P Blackwood	20	1	2	-	23
Ms B Mathison	20	1	2	-	23
Ms C Rockefeller	20	2	2	-	24
Total	115	9	12	-	136

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be reappointed.

The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet. Superannuation is paid at the appropriate rates as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business.

Non-executive directors' remuneration is reviewed periodically whenever there is an increase in State Service wages with increases subject to approval by the Treasurer and Portfolio Minister.

Notes to the financial statements

for the year ended 30 June 2016

(b) Executive remuneration

The following table discloses the remuneration details for each person that acted as a senior executive during the current and previous financial years:

2016

Executive Remuneration	Salary	Short term incentives	Termination Benefits	Superannuation	Vehicles	Other benefits	Other non-monetary benefits *	Total 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr D Benbow - Chief Executive Officer	166	-	-	16	16	-	6	204
Mr D Hall - General Manager (1) Corporate Services	126	-	118	12	16	-	-	272
Mr T Levis - Corporate Solicitor	123	-	-	12	-	-	2	137
Total	415	-	118	40	32	-	8	613

2015

Executive Remuneration	Salary	Short term incentives	Termination Benefits	Superannuation	Vehicles	Other benefits	Other non-monetary benefits *	Total 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr D Benbow - Chief Executive Officer (from 11 February 2014)	140	-	-	13	16	-	5	174
Mr D Hall - General Manager Corporate Services	130	-	-	12	16	-	(7)	151
Mr T Levis - Corporate Solicitor	116	-	-	11	-	-	5	132
Total	386	-	-	36	32	-	3	457

Notes to the financial statements

for the year ended 30 June 2016

(b) Executive remuneration (continued)

The entity has determined that its senior executives are those that are in roles that have the authority and responsibility for planning, directing and controlling the entity's activities. The entity is completing its review of the structure of its Executive Management Team with a view to implementing the new structure in the next financial year.

The employment terms and conditions of the Chief Executive Officer and the General Manager Corporate Services are contained in individual employment contracts which prescribe total remuneration, superannuation, annual and long service leave, motor vehicle and salary sacrifice provisions. The Corporate Solicitor is employed pursuant to the Legal Practitioners Agreement 2010.

The Chief Executive Officer is appointed by the Premier on the recommendation of the Board. The remuneration package is in accordance with the Senior Executive Service determination. There is no provision within the senior executives' remuneration packages for the payment of short term incentives based on meeting key performance indicators.

The performance of each senior executive, including the Chief Executive Officer, is reviewed annually.

The terms of employment of the Chief Executive Officer and the General Manager Corporate Services, contain a termination clause that requires the senior executive or the Board to provide a minimum notice period of up to 6 months prior to termination of the contract. Employment contracts have durations not exceeding five years.

In May 2016, the General Manager Corporate Services role was made redundant and termination benefits were paid to the redundee in accordance with the relevant Instrument of Appointment.

(c) Overseas travel

There was no overseas travel undertaken on behalf of the entity during the year by the Chairman, Directors or Chief Executive Officer.

2016	2015
\$	\$

Note 9. Auditor's remuneration

Remuneration of the auditor for:

- auditing the financial statements

29,330	29,700
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2016	2015
\$'000	\$'000

Note 10. Dividends

Declared and paid

-	262
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Notes to the financial statements

for the year ended 30 June 2016

2016	2015
\$'000	\$'000

Note 11. Cash and cash equivalents

Cash at bank and on hand	1	1
Short term bank deposits	2,736	3,676
	<u>2,737</u>	<u>3,677</u>

The effective interest rate on short-term bank deposits was between 1.51% and 1.84% (2015: between 1.7% and 2.4%).

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>2,737</u>	<u>3,677</u>
---------------------------	--------------	--------------

In its capacity as trustee and financial administrator the entity holds funds on behalf of its clients that are not available for use by the entity. Details of the cash held under management and trusteeship have been included at note 27.

Note 12. Trade and other receivables

Current

Trade receivables	409	305
Other receivable	64	-
	<u>473</u>	<u>305</u>

Credit risk

The entity has no significant concentration of credit risk with respect of any single counterparty or group of counterparties. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the entity.

The following table details the entity's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered "past due" when the debt has not been settled, with the terms and conditions agreed between the entity and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the entity.

The balances of trade receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross \$'000	Past due and impaired \$'000	Past due but not impaired (days overdue)				Within trade terms \$'000
			< 30 days \$'000	31 - 60 days \$'000	61 - 90 days \$'000	> 90 days \$'000	
2016							
Trade receivables	409	-	-	-	-	-	409
2015							
Trade receivables	305	-	-	-	-	-	305

Notes to the financial statements

for the year ended 30 June 2016

2016	2015
\$'000	\$'000

Note 13. Other financial assets

Non-current

Investments in managed funds at fair value through other comprehensive income (a)

12,197	12,281
12,197	12,281

The entity classifies its investments in managed funds at fair value through other comprehensive income. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any investments in managed funds assets existed at 30 June 2016.

Note 14. Plant and equipment

Plant and equipment

Leasehold improvements at cost
Accumulated amortisation

1,131	1,270
(289)	(196)
842	1,074

Fixtures, furniture and equipment at cost
Accumulated depreciation

1,369	1,068
(907)	(839)
462	229

Capital works in progress

359	62
359	62
1,663	1,365

Movement in carrying amounts

Movement in the carrying amounts of each class of plant and equipment between the beginning and end of the current financial year:

Leasehold improvements

Balance at 1 July	1,074	106
Additions	-	-
Reclassifications	(139)	1,050
Assets written-off	-	(66)
Depreciation expense	(93)	(16)
Balance at 30 June	842	1,074

Fixtures, furniture and equipment

Balance at 1 July	229	331
Additions	63	21
Reclassifications	287	(26)
Asset written off	-	(11)
Depreciation expense	(117)	(86)
Balance at 30 June	462	229

Capital works in progress

Balance at 1 July	62	-
Additions	445	1,099
Reclassification	(148)	(1,024)
Assets written off	-	(13)
Balance at 30 June	359	62

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 15. Trade and other payables		
Current		
Trade payables	202	650
Sundry payables and accrued expenses	593	646
	<u>795</u>	<u>1,296</u>
Note 16. Deferred tax asset		
Non Current		
Deferred tax assets		
Balance at 1 July	3,248	3,791
Provisions – employee benefits	880	(459)
Other expenses	(21)	93
Change in value of managed funds	24	(177)
Balance at 30 June	<u>4,131</u>	<u>3,248</u>
Note 17. Provisions		
Analysis of total provisions		
Current		
Losses	50	50
Recreation leave	319	345
Long service leave	311	223
Defined benefits obligation	704	711
Total current	<u>1,384</u>	<u>1,329</u>
Non-current		
Long service leave	305	269
Defined benefits obligation	13,520	10,678
Total non-current	<u>13,825</u>	<u>10,947</u>
Total provisions	<u>15,209</u>	<u>12,276</u>
Losses		
Balance at 1 July	50	-
Additional provisions	-	50
Balance at 30 June	<u>50</u>	<u>50</u>
Employee benefits		
Balance at 1 July	12,226	13,755
Additional provisions	289	1,242
Amounts used	(13)	(812)
Unused amounts reversed - *	2,657	(1,959)
Balance at 30 June	<u>15,159</u>	<u>12,226</u>

* - The unused amount wholly relates to the entity's defined benefits obligation.

Provision of losses

Provision for losses arises from a legal matter. Further details of this matter have not been disclosed as the matter is the subject of legal privilege.

Notes to the financial statements

for the year ended 30 June 2016

Provision for long term employee benefits

Provision for employee benefits represents amounts accrued for annual leave, long service leave and defined benefits obligations.

The current portion of this provision included the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next twelve months. However these amounts must be classified as current liabilities since the entity does not have an unconditional right to defer settlement of these amounts in the event employees wish to use their leave entitlements.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 31 (g).

Note 18. Retirement benefit obligations

Fund information

The Retirement Benefits Fund ("RBF") is a defined benefit fund in which members receive lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

Reconciliation of the defined benefit obligation

	2016 \$'000	2015 \$'000
Present value of defined benefit obligations at the beginning of the year	13,954	15,606
Current service cost	135	205
Interest cost	648	626
Contributions by plan participants	33	58
Actuarial (gains) losses	2,516	(1,735)
Benefits paid	(592)	(784)
Taxes, premiums and expenses	(24)	(22)
Present value of defined benefit obligations at the end of the year	<u>16,670</u>	<u>13,954</u>

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

Reconciliation of the fair value of scheme assets

Fair value of plan assets at the beginning of the year	2,565	2,584
Interest income	119	103
Actual return on plan assets less interest income	(141)	224
Employer contributions	486	402
Contributions by plan participants	33	58
Benefit paid	(592)	(784)
Taxes, premiums and expenses	(24)	(22)
Fair value of plan assets at the end of the year	<u>2,446</u>	<u>2,565</u>

Reconciliation of the net define benefit liability

Defined benefit obligation	16,670	13,954
Fair value of plan assets	<u>(2,446)</u>	<u>(2,565)</u>
Net defined benefit liability	<u>14,224</u>	<u>11,389</u>
Current net liability	704	711
Non-current net liability	<u>13,520</u>	<u>10,678</u>
	<u>14,224</u>	<u>11,389</u>

Notes to the financial statements

for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Expense recognised in the statement of comprehensive income		
Service cost	135	205
Interest cost	529	523
	<u>664</u>	<u>728</u>
Amounts recognised in other comprehensive income		
Actuarial (gains) losses	<u>2,657</u>	<u>(1,959)</u>
Cumulative amount recognised in other comprehensive income		
Cumulative amount of actuarial (gains) losses at end of prior year	2,769	4,728
Actuarial (gains) losses recognised during the year	<u>2,657</u>	<u>(1,959)</u>
Cumulative amount of actuarial (gains) losses at end of year	<u>5,426</u>	<u>2,769</u>

Fair value of scheme assets

Asset category	Total \$'000	As at 30 June 2016 [^]		Significant observable inputs – Level 2 \$'000	Unobservable inputs – Level 3 \$'000
		Quoted prices in active markets for identical assets - Level 1 \$'000			
Cash and cash equivalents	424	424		-	-
Equity instruments	1,669	760		733	176
Debt instruments	328	89		135	104
Derivatives	5	-		5	-
Real estate	20	-		20	-
Total	2,446	1,273		893	280

[^] Estimated based on assets allocated to Public Trustee as at 30 June 2016 and asset allocation of the RBF Scheme as at 30 June 2015.

Fair value of the entity's own financial instruments

The fair value of scheme assets includes no amounts relating to:

- any of the entity's own financial instruments, and
- any property occupied by, or other assets used by, the entity.

Significant actuarial assumptions at the reporting date

Assumptions to determine defined benefit cost and start of year defined benefit obligation:

	30 June 2016	30 June 2015
Discount rate (active member and pensioners)	4.80% pa	4.10% pa
Expected rate of increase in compulsory preserved amounts	4.50% pa	4.50% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected pension increase rate	2.50% pa	2.50% pa

Assumptions to determine end of year defined benefit obligation:

Discount rate (active member and pensioners)	3.55% pa	4.80% pa
Expected rate of increase in compulsory preserved amounts	4.50% pa	4.50% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected pension increase rate	2.50% pa	2.50% pa

Sensitivity analysis

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity.

Scenario A: 1% pa lower discount rate assumption

Scenario B: 1% pa higher discount rate assumption

Scenario C: 1% pa lower than expected pension increase rate assumption

Scenario D: 1% higher than expected pension increase rate assumption.

Notes to the financial statements

for the year ended 30 June 2016

<i>Sensitivity analysis (continued)</i>	Base case	Scenario A	Scenario B	Scenario C	Scenario D
		-1.0% pa discount rate	+1.0% pa discount rate	-1.0% pa pension increase rate	+1.0% pa pension increase rate
Discount rate	3.55% pa	2.55% pa	4.55% pa	3.55% pa	3.55% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (\$'000)	16,670	19,189	14,653	15,070	18,587

The defined benefit obligation has been recalculated by changing the assumption as outlined above, whilst retaining all other assumptions.

	2017 \$'000
Expected contributions	
Expected employer contributions	704

	2016 \$'000	2015 \$'000
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Note 19. Reserves

	2016 \$'000	2015 \$'000
Fair value reserve	1,048	635
Balance at beginning of year	-	-
Fair value movement in investments in managed funds (net of related tax)	(54)	413
Balance at end of the year	994	1,048

The fair value reserve is used to recognise the change in fair values of managed investment funds that are measured at fair value through other comprehensive income.

Note 20. Leasing commitments

Operating lease commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements.

Payable – minimum lease payments:

- Not later than one year	404	578
- Later than one year but not later than five years	1,300	1,472
- Later than five years	108	404
	1,812	2,454

The property lease in Hobart was renegotiated during the year ended 30 June 2014 and is a non-cancellable lease with a seven year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments should be increased by 3% per annum. An option exists to renew the lease at the end of the seven year term for an additional term of three years.

The property lease in Launceston is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments should be increased at the higher of consumer price index ("CPI") or 0% per annum. An option exists to renew the lease at the end of the five year term for an additional term of five years.

The property lease term in Burnie was extended during the year ended 30 June 2014. The lease is a non-cancellable lease with a six year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments should be increased at the higher of consumer price index ("CPI") or 0% per annum. An option exists to renew the lease at the end of the six year term for an additional term of five years.

The property lease in Devonport is a non-cancellable lease with a two year term, with rent payable monthly in advance. This lease was renegotiated for a two year term during the year ended 30 June 2015. An option exists to renew the lease at the end of the two year term for an additional term of two years.

Notes to the financial statements for the year ended 30 June 2016

Note 21. Cash flow information

a. Reconciliation of cash flows from operations with profit after income tax	2016 \$'000	2015 \$'000
Profit after income tax before other comprehensive income	106	388
Non-cash flows in profit:		
Depreciation	210	102
Assets written off expense	-	90
Distribution income treated as investing activities	(640)	(597)
Proceeds on disposal of plant and equipment	-	(5)
Changes in assets and liabilities:		
(Increase) in trade and other receivables	(61)	-
(Increase) in prepayments	(100)	34
Increase in trade and other payables	181	120
(Increase) in tax assets	(262)	(190)
Increase in provisions	275	481
Cash flows (used in) / from operations	(291)	423

Note 22. Contingent liabilities and contingent assets

The entity had no contingent liabilities and no contingent assets at the end of the reporting period.

Note 23. Events after the reporting period

Since 30 June 2016 no matters have occurred after balance date that warrant disclosure in this report.

Note 24. Operating segments

The entity provides trustee and related financial services and operates predominantly in Tasmania and has no separate operating segments.

Note 25. Related party transactions

a. The entity's main related parties are as follows:

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel.

For details of disclosures relating to key management personnel, refer to note 8: Key management personnel compensation.

Other related parties

Other related parties include entities over which key management personnel have joint control.

b. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The Directors of the entity for the year ended 30 June 2016 were:

- Mr CJ Stephens, Chairman
- Ms B Mathison (to 13 January 2016)
- Ms CJM Rockefeller
- Mr PR Blackwood (to 6 April 2016)
- Ms L Gillam
- Ms T Matthews (from 25 January 2016)
- Ms B Hingston (from 27 May 2016).

Notes to the financial statements

for the year ended 30 June 2016

Note 26. Financial risk management

The entity's financial instruments consist mainly of deposits with banks, investments in unlisted managed funds and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	2016 \$'000	2015 \$'000
Financial assets		
Cash and cash equivalents	2,737	3,677
Trade and other receivables	473	305
Other financial assets	<u>12,197</u>	<u>12,281</u>
	<u>15,407</u>	<u>16,263</u>
Financial liabilities		
Trade and other payables	<u>795</u>	<u>1,296</u>

Financial risk management policies

The directors' overall risk management strategy seeks to assist the entity in meeting its financial targets, while minimising potential adverse effects on financial performance.

Specific financial risk exposure and management

The main risks the entity is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

There have been no substantive changes in the types of risks the entity is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the entity.

Credit risk is managed through maintaining procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties) ensuring, to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 14 to 30 days from the date of invoice.

The entity minimizes the risks associated with the investment of its corporate funds by investing strictly in accordance with its Corporate Funds Investment Policy which complies with the Treasurer's Instruction GBE 07-44-01. That policy contains a risk management plan and a risk register which have strategies to address risks identified. The policy is monitored regularly and reviewed on an annual basis by the directors.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the directors have otherwise cleared as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The entity has no significant concentrations of credit risk with any single counterparty or entity of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 12.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 12.

Notes to the financial statements

for the year ended 30 June 2016

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings:

	2016 \$'000	2015 \$'000
Cash and cash equivalents		
- AA- Rated	2,737	3,677
Financial assets		
- AAAM Rated - *	-	1,250
- Unrated	12,197	11,031
	12,197	12,281

* The relevant fund manager decided to cease having the fund rated during the year ended 30 June 2016.

b. Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities,
- maintaining a reputable credit profile,
- only investing surplus cash with major financial institutions, and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflect the undiscounted contractual maturity for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial liabilities due for payment						
Trade and other payables	(795)	(1,296)	-	-	(795)	(1,296)
Total expected outflows	(795)	(1,296)	-	-	(795)	(1,296)
Financial assets – cash flow realisable						
Cash and cash equivalents	2,737	3,677	-	-	2,737	3,677
Trade and other receivables	473	305	-	-	473	305
Financial assets	-	-	12,197	12,281	12,197	12,281
Total anticipated inflows	3,210	3,982	12,197	12,281	15,407	16,383
Net inflow on financial instruments	2,415	2,686	12,197	12,281	14,612	14,967

c. Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The entity is also exposed to earnings volatility on floating rate instruments. The financial instruments which primarily expose the entity to interest rate risk are government and fixed interest securities and cash and cash equivalents.

Price risk

Price risk relates to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held. Such risk is managed through diversification of investments across industries and geographic location

Notes to the financial statements

for the year ended 30 June 2016

Sensitivity analysis

The following table illustrates sensitivities to the entity's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$'000	Equity \$'000
Year ended 30 June 2016		
+/- 100 bps in interest rates	27	19
+/- 100 bps in investments	122	85
Year ended 30 June 2015		
+/- 100 bps in interest rates	37	26
+/- 100 bps in investments	123	86

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Net fair values

(i) Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the entity. Most of these instruments, which are carried at amortised cost (i.e. trade receivables) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the entity.

(ii) Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted unit prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
Financial assets				
Investments in unlisted managed funds	-	12,197	-	12,197
2015				
Financial assets				
Investments in unlisted managed funds	-	12,281	-	12,281

The fair value of investments in unlisted managed funds has been based on the closing quoted unit prices at the end of the reporting period, excluding transaction costs.

Notes to the financial statements

for the year ended 30 June 2016

Note 27. Client assets under management and trusteeship

The entity manages the assets of its clients pursuant to *The Public Trustee Act 1930*. These assets are not reflected in the Statement of Financial Position as they are held in trust. The entity maintains two investment funds to provide clients with a prudent investment for the particular circumstances of each client. The details of the fund assets are as follows:

	Common Fund \$'000	No. 1 Fund \$'000	No. 2 Fund \$'000	Total '000
2016				
Net assets				
Cash	10,032	427	1,041	11,500
Term deposits	56,000	-	-	56,000
Receivables	-	137	2,027	2,164
Financial assets				
- Cash	-	2,404	6,884	9,288
- Australian fixed interest *	-	2,264	21,226	23,490
- Australian equities *	-	1,036	20,406	21,442
- Property securities *	-	495	8,894	9,389
- International equities *	-	348	6,707	7,055
- International equities (hedged) *	-	369	6,945	7,314
Payables	-	(123)	(1,515)	(1,638)
	66,032	7,357	72,615	146,004
Equity				
Client funds	63,295	7,357	72,615	143,267
Entity funds	2,737	-	-	2,737
	66,032	7,357	72,615	146,004
2015				
Net assets				
Cash	11,153	159	867	12,179
Term deposits	56,000	-	-	56,000
Receivables	-	96	1,301	1,397
Financial assets				
- Cash	-	3,454	5,684	9,138
- Australian fixed interest *	-	2,708	21,015	23,723
- Australian equities *	-	1,326	20,596	21,922
- Property securities *	-	512	8,287	8,799
- International equities *	-	550	8,448	8,998
- International equities (hedged) *	-	524	7,408	7,932
Payables	-	(97)	(1,005)	(1,102)
	67,153	9,232	72,601	148,986
Equity				
Client funds	63,476	9,232	72,601	145,309
Entity funds	3,677	-	-	3,677
	67,153	9,232	72,601	148,986

* These investments are in unlisted unit trusts which would, applying the fair value hierarchy outlined in note 26(c) (ii), be categorised as level 2.

Notes to the financial statements

for the year ended 30 June 2016

A summary of the investment flows to and from each fund and the allocation of net fund earnings follows:

	Common Fund \$'000	No. 1 Fund \$'000	No. 2 Fund \$'000	Total \$'000
2016				
Fund value				
Balance at 1 July	67,153	9,232	72,601	148,986
Applications	108,430	460	7,869	116,759
Redemptions	(109,551)	(2,360)	(7,880)	(119,791)
Net profit	1,078	152	2,407	3,637
Distributions	(1,078)	(127)	(2,382)	(3,587)
Balance at 30 June	<u>66,032</u>	<u>7,357</u>	<u>72,615</u>	<u>146,004</u>
2015				
Fund value				
Balance at 1 July	57,830	9,958	73,899	141,687
Applications	108,835	1,119	3,609	113,563
Redemptions	(99,512)	(2,097)	(8,658)	(110,267)
Net profit	1,344	445	6,115	7,904
Distributions	(1,344)	(193)	(2,364)	(3,901)
Balance at 30 June	<u>67,153</u>	<u>9,232</u>	<u>72,601</u>	<u>148,986</u>

Note 28. Economic dependency

The entity is reliant on the funding received from the Tasmanian Government in respect of the Community Service Obligations (CSO) performed by the entity. The amount of CSO funding received by the entity during the year ended

30 June 2016 was \$1,642,000 (2015: \$1,556,000).

The current CSO agreement expires on 30 June 2017. The entity intends to negotiate a new CSO agreement with the Tasmanian Government during the year ending 30 June 2017.

Note 29. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Investments in unlisted managed funds	Fair value - closing quoted unit prices at the end of the reporting period, excluding transaction costs.
Net defined benefits obligation	Fair value of plan assets less the present value of the defined benefit obligation.

Notes to the financial statements for the year ended 30 June 2016

Note 30. Significant accounting policies

The entity has consistently applied the following accounting policies to all periods presented in these financial statements.

a. Income tax equivalent

Pursuant to the *Government Business Enterprise Act 1995* the entity is required to pay an income tax equivalent to the State of Tasmania as if it were a company pursuant to Australian income tax laws. The entity has applied tax effect accounting principles prescribed in AASB112 *Income Taxes*.

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and

(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. Plant and equipment

Each class of plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

(i) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 (e) for details of impairment).

(ii) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Leasehold improvements	10%
Fixtures, furniture and equipment	10% to 40%

Notes to the financial statements

for the year ended 30 June 2016

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

c. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

d. Financial instruments

Non-derivative financial assets

The entity initially recognises financial assets on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The entity subsequently measures financial assets at either amortised cost or fair value.

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset that is created or retained by the entity is recognised as a separate asset or liability.

On initial recognition, the entity classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

In accordance with the transitional provisions of AASB 9, the classification of the financial assets that the entity held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments to principal and interest.

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in value recognised in profit or loss.

However, for investments in non-rated managed funds that are not held for trading, the entity may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains or losses are never classified to profit or loss and no impairments are recognised in profit or loss. Distributions earned from such investments are recognised in profit or loss unless the distribution clearly represents a repayment of part of the cost of the investment.

Non-derivative financial liabilities

The entity initially recognises financial liabilities on the trade date, which is the date the entity becomes a party to the contractual provision of the instrument.

The entity classified all other non-derivative financial liabilities into the amortised cost measurement category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise trade and other payables.

Notes to the financial statements

for the year ended 30 June 2016

Impairment

At the end of each reporting date, the entity assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e. Impairment of assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f. Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(iii) Defined benefits plan

The entity's defined benefits plan is in respect of current and former employees who have defined benefits arising from membership of the contributory section of the Retirement Benefits Fund ("RBF"), which is a Board of the Tasmanian Government.

The entity's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a Tasmanian Government appointed qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the entity, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

Notes to the financial statements

for the year ended 30 June 2016

The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the corporate bond discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The entity recognises gain and losses on settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

The entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

g. Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting date.

h. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

i. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable.

(i) Commissions

Commissions revenue is recognised as the relevant administration transactions occur.

(ii) Fees

Fees revenue from rendering a service is recognised as the service is provided.

(iii) Funding of Community Service Obligations (CSO)

CSO funding revenue is recognised as the CSOs are performed.

(iv) Interest revenue is recognised using the effective interest method.

(v) Dividend revenue is recognised when the right to receive a dividend has been established.

j. Trade and other payables

Trade and other payables represent the liability for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

k. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO").

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows in the Statement of Cash Flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from clients or payments to suppliers.

Notes to the financial statements

for the year ended 30 June 2016

l. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. Dividends

The entity pays dividends in accordance with its statutory requirements as determined under Part 11 Division 2 of the *Government Business Enterprises Act 1995*.

On the 29th August 2014, the Treasurer made public that Government Business Enterprises are required to pay 90% of net profits after tax as a dividend each year, unless a business can justify a lower pay-out policy. The entity has an agreement with Government that a dividend will only become payable should the amount of that dividend exceed the Community Service Obligation funding gap for that year.

n. Pending accounting standards

Certain new accounting standards and interpretations have been published and are not mandatory for 30 June 2016 reporting periods. The entity's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 15 Revenue from Contracts with Customers, and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (effective from 1 January 2017)

Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This standard is effective for the entity's financial statements ending on 30 June 2018.

The entity has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

(ii) AASB 16 Leases (mandatory for years beginning on or after 1 January 2019)

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern expenses for most leases, even when they pay constant annual rentals.

This standard is effective for the entity's financial statements ending on 30 June 2020.

The entity has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

Statement of certification

In the opinion of the directors of the Public Trustee ("the entity"):

- a) the financial statements and notes of the entity are in accordance with the *Government Business Enterprises Act 1995*, including:
 - (i) giving a true and fair view of the results and cash flows for the year ended 30 June 2015 and the financial position as at 30 June 2015 of the entity; and
 - (ii) complying with the Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and Chief Financial Officer of the entity:

- a) the financial records of the enterprise for the year ended 30 June 2015 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;
- b) the financial statements and notes for the year ended 30 June 2015 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and
- c) the financial statements and notes for the year ended 30 June 2015 give a true and fair view.

Signed in accordance with a resolution of the directors:



Craig J Stephens
Director



Caroline JM Rockefeller
Director

Hobart, 12 August 2016

Independent Auditor's Report

To Members of the Tasmanian Parliament

Public Trustee

Financial Report for the Year Ended 30 June 2016

Report on the Financial Report

I have audited the accompanying financial report of Public Trustee, which comprises the statement of financial position as at 30 June 2016 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification statement by the Directors.

Auditor's Opinion

In my opinion:

- (a) Public Trustee's financial report:
 - (i) presents fairly, in all material respects, its financial position as at 30 June 2016, and its financial performance, cash flows and changes in equity for the year then ended
 - (ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

The Responsibility of the Directors for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards 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 report that is 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 2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

...1 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Directors' preparation and fair presentation of the financial report 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 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 report.

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

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements.

The *Audit Act 2008* promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

My independence declaration provided to the Directors dated 12 August and included in the Annual Report, would be unchanged if provided to the Directors as at the date of this auditor's report.

Tasmanian Audit Office



E R De Santi
Deputy Auditor-General
Delegate of Auditor-General

Hobart
16 August 2016

...2 of 2

Superannuation declaration

I hereby certify that the Public Trustee has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the Public Trustee contributes.



David Benbow
Chief Executive Officer

Hobart, 12 August 2016

13. 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 contacting the Public Trustee's Right to Information Officer.

During the year in review, no disclosed matters were made to or by the Public Trustee as follows:

Disclosure requirement	Disclosure
The number and types of disclosures made to the relevant public body during the year and the number of disclosures determined to be a public interest disclosure	Nil
The number of disclosures determined by the relevant public body to be public interest disclosures that it investigated during the year	Nil
The number and types of disclosed matters referred to the public body during the year by the Ombudsman	Nil
The number and types of disclosure matters referred during the year by the public body to the Ombudsman to investigate	Nil
The number and types of investigations of disclosed matters taken over by the Ombudsman from the public body during the year	Nil
The number and types of disclosed matters that the relevant public body has declined to investigate during the year	Nil
The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	Nil
Any recommendations made by the Ombudsman that related to the relevant public body	Nil

14. Payment of Accounts and Buy Local disclosures

In accordance with Treasurer's Instruction, disclosures are made in respect of payment of accounts and buying local.

Accounts due or paid within each year	
Measure	
Creditors Days	26 days
Number of accounts due for payment	1438
Number of accounts paid on time	1415
Amount due for payment	\$ 2.72 Million
Amount paid on time	\$ 2.66 Million
Number of payments for interest on overdue accounts	NIL
Interest paid on overdue accounts	NIL
Commentary (if applicable)	
Reason for delays	
<i>Disputed accounts</i>	

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	91.8 %
Value of purchases from Tasmanian businesses (Exc GST)	\$ 2.49 Million

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
S E Hart	Tas	Project manager	Period of contract (Jul 15 to June 16)	\$ 89,500
AT+M Marketing	Tas	Marketing	Period of contract (Jul 15 to June 16)	\$ 131,800
			Total	\$ 221,300
Consultants engaged for \$50,000 or less totalling				\$ 28,518
Total Payment to Consultants				\$ 249,818

15. Managing Performance in the Public Trustee

In accordance with *Employment Direction No. 26 – Managing Performance in the State Service*, employment practices at Public Trustee are aligned to meet priorities, strategies, operational plans and the corporate values. Priorities are identified through the corporate planning process, individual unit business plans and alignment with individual roles within the organisation.

Public Trustee places a high importance on performance management and this is reinforced through a number of practices. Public Trustee's performance management system includes a comprehensive induction program; the probationary process (where applicable); the development of annual performance agreements with all employees; the identification of learning and development needs; career progression planning; and regular reviews of an individual's performance against their plan.

16. Investment Fund Special Purpose Annual Reports for the Year Ended 30 June 2016

Public Trustee Common Fund Special Purpose Annual Report - 30 June 2016

General information

The Public Trustee Common Fund was established under Section 38 of *The Public Trustee Act 1930* and is authorised to invest in the manner permitted by *The Trustee Act 1898*.

The Common Fund is a capital secure cash fund with a very low exposure to the risk of any loss.

Under the provisions of *The Public Trustee Act 1930* capital and interest invested in the Public Trustee Common Fund is guaranteed by the State of Tasmania.

The objective of the Fund is to provide investors with a capital secure investment generating a consistent income stream in line with market rates.

Interest is calculated on the daily balances and credited quarterly on 31 March, 30 June, 30 September and 31 December.

The information provided in this annual report is unaudited.

Interest Rate History

Average Annual Rate to 30 June 2016	
1 Month	1.82%
3 Months	1.74%
6 Months	1.69%
1 year	1.65%
2 years	1.93%
3 years	2.15%
5 years	2.87%

Public Trustee Common Fund
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Investment revenue		
Interest income	1,810	2,007
Total investment revenue	1,810	2,007
Expenses		
Management fees charged by Public Trustee	732	663
Total operating expenses	732	663
Net profit attributable to account holders	1,078	1,344
Distributions to account holders	(1,078)	(1,344)
Amount retained but not distributed	-	-

Statement of financial position – unaudited

		As at	
	Notes	30 June 2016 \$'000	30 June 2015 \$'000
Assets			
Cash and cash equivalents		<u>66,032</u>	67,153
Total assets		<u>66,032</u>	<u>67,153</u>
Net assets attributable to unitholders - liability	4	<u>66,032</u>	<u>67,153</u>

Public Trustee Common Fund
Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2016

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Total net assets attributable to unitholders at the beginning of the year	67,153	57,830
Net profit attributable to unitholders	1,078	1,344
Distributions to unitholders	(1,078)	(1,344)
Application for units	108,430	108,835
Redemption of units	(109,551)	(99,512)
Total net assets attributable to unitholders at the end of the year	66,032	67,153

Public Trustee Group Common Fund
Statement of cash flows
For the year ended 30 June 2016

Statement of cash flows - unaudited

	Year ended	
	30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities		
Interest received	1,810	2,007
Management fees	<u>(732)</u>	<u>(663)</u>
Net cash inflow from operating activities	<u>1,078</u>	<u>1,344</u>
 Cash flows from financing activities		
Applications	108,430	108,835
Redemptions	(109,551)	(99,512)
Distributions paid	<u>(1,078)</u>	<u>(1,344)</u>
Net cash inflow/(outflow) from financing activities	<u>(2,199)</u>	<u>7,979</u>
 Net increase/(decrease) in cash and cash equivalents	 (1,121)	 9,323
Cash and cash equivalents at the beginning of the year	<u>67,153</u>	<u>57,830</u>
Cash and cash equivalents at the end of the year	<u>66,032</u>	<u>67,153</u>

1 General information

The Public Trustee Common Fund (Common Fund) was established under Section 38 of *The Public Trustee Act 1930* and is authorised to invest in the manner permitted by *The Trustee Act 1898*.

The Common Fund is a capital secure cash fund with a very low exposure to the risk of any loss.

Under the provisions of *The Public Trustee Act 1930* capital and interest invested in the Common Fund is guaranteed by the State of Tasmania.

The objective of the Common Fund is to provide investors with a capital secure investment generating a consistent income stream in line with market rates. Money currently held in the Common Fund includes the Public Trustee's corporate funds as well as client funds held on trust.

The Common Fund is managed by the Public Trustee.

The information provided in this annual report is unaudited.

2 Basis of accounting

This special purpose financial report has been prepared in accordance with the requirements of the Common Fund's Governing Rules.

The financial report has been prepared on a historical cost basis.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

The financial statements are presented in Australian dollars. Both the functional and presentation currency is Australian dollars (\$).

The financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and the Common Fund's Governing Rules.

Rounding

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated. Rounding is consistent with Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, related to "rounding off" of amounts in the financial statements.

New and amended standards adopted by the Common Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that would be expected to have a material impact on the Common Fund.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Impairment of financial assets

At the end of each reporting date, the Common Fund assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(b) Financial instruments

Non-derivative financial assets

The Common Fund initially recognises financial assets on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Common Fund subsequently measures financial assets at either amortised cost or fair value.

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset that is created or retained by the entity is recognised as a separate asset or liability.

On initial recognition, the entity classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB 9, the classification of the financial assets that the entity held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments to principal and interest.

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in value recognised in profit or loss.

(c) Investment revenue recognition

Investment revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Common Funds and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Interest received from investments in cash and cash equivalents

Interest income is recognised using the effective interest rate method.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, deposits at call and short-term deposits with an original maturity of 12 months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Taxation

Under current legislation, the Common Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Common Fund and the Common Fund fully distributes net taxable income.

(f) Distributions

Interest is calculated on the daily balances and credited quarterly on 31 March, 30 June, 30 September and 31 December. The distributions are recognised in profit or loss as distributions to account holders.

(g) Unit holders

Investment in the Common Fund is by direct investment in cash or cash equivalents.

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

The Common Fund qualifies for Reduced Input Tax Credits (RITC) on management fees. These RITCs recoverable by the Common Fund from the ATO are recognised in the statement of comprehensive income.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(i) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Common Fund no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(j) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Fund.

There are no standards that are not yet effective and that are expected to have a material impact on the Common Fund in the current or future reporting periods and on foreseeable future transactions.

4	Net assets attributable to unitholders – liability	As at	
		30 June 2016 \$'000	30 June 2015 \$'000
	Client funds	63,295	63,476
	Corporate funds	<u>2,737</u>	<u>3,677</u>
	Net assets attributable to unitholders - liability	<u>66,032</u>	<u>67,153</u>

5 Financial risk management

The Common Fund's financial instruments consist of deposits with bank.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	2016	2015
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	66,032	67,153
	66,032	67,153

Financial risk management policies

The Common Fund's overall risk management strategy seeks to assist the Common Fund in meeting its financial targets, while minimising potential adverse effects on financial performance.

Specific financial risk exposure and management

The main risks the Common Fund is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

There have been no substantive changes in the types of risks the entity is exposed to, how these risks arise, or the Common Fund's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Common Fund.

The Common Fund minimises the risks associated with investment by investing strictly in accordance with its Governing Rules.

Risk is also minimised through investing funds in financial institutions that maintain a high credit rating.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Common Fund has a concentration of credit risk with a single counterparty as all funds are held with the one bank. This concentration is managed as under the provisions of *The Public Trustee Act 1930* capital and interest invested in the Common Fund is guaranteed by the State of Tasmania.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings:

	2016	2015
	\$'000	\$'000
Cash and cash equivalents		
- AA- Rated	66,032	67,153
	66,032	67,153

b. Liquidity risk

Liquidity risk arises from the possibility that the Common Fund might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Common Fund manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

c. Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows. The Common Fund is also exposed to earnings volatility on floating rate instruments. The financial instruments which primarily expose the entity to interest rate risk are cash and cash equivalents.

6 Related part transactions

A management fee is calculated by the Public Trustee against money invested in the Common Fund at the rate of 1.1% (inclusive of GST) of the value of the Common Fund on a daily basis. The management fee is charged as at the last business day of each month.

7 Events after the reporting period

The Common Fund is not aware of any significant events since the end of the reporting period.

Public Trustee Group Investment Fund 1 Special Purpose Annual Report - 30 June 2016

General information

The Group Investment Fund 1 invests in a portfolio of diversified investments. The Fund is designed for those clients requiring an investment over the medium term with a moderate exposure to market risk. The Fund holds a major proportion of funds in defensive assets (cash and Australian fixed interest) with some exposure to growth assets (property, Australian shares and international shares).

The benchmark asset allocation of the fund is as follows

Benchmark Asset Allocation	
Cash	40%
Australian Fixed Interest	30%
Australian Shares	15%
International Shares	5%
International Shares – Hedged to AUD	5%
Property	5%

The investments of the fund are managed by professional investment managers appointed by the Public Trustee. The Public Trustee also utilises the services of an external administrator and custodian.

Income is distributed quarterly in January, April, July and October each year.

The performance of the Group Investment Fund 1, after fees, to 30 June 2016 is as follows:

Performance after Fees to 30 June 2016	
1 Month	-0.13%
3 Months	2.01%
6 Months	1.74%
1 year	2.00%
2 years	3.35%
3 years	4.58%
5 years	5.24%

The information provided in this annual report is unaudited.

Public Trustee Group Investment Fund 1
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Investment revenue		
Dividend/distribution income	319	400
Interest income	1	1
Net gains/loss on financial instruments held at fair value through profit or loss	(3)	233
Total investment revenue	317	634
 Expenses		
Management fees charged by Public Trustee	82	96
Custody fees	69	67
Other expenses	14	26
Total operating expenses	165	189
 Net profit attributable to account holders	152	445
Distributions to account holders	(127)	(193)
Change in net assets attributable to unitholders	(25)	(252)
Amount retained but not distributed	-	-

Statement of financial position - unaudited

		As at	
	Notes	30 June 2016 \$'000	30 June 2015 \$'000
Assets			
Cash and cash equivalents		427	159
Receivables		137	96
Financial assets at fair value through profit or loss		6,916	9,074
Total assets		7,480	9,329
Liabilities			
Distributions Payable		74	59
Payables		49	38
Total liabilities (excluding net assets attributable to unitholders)		123	97
Net assets attributable to unitholders - liability	4	7,357	9,232

Public Trustee Group Investment Fund 1
Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2016

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Total net assets attributable to unitholders at the beginning of the year	9,232	9,958
Net profit attributable to unitholders	152	445
Distributions to unitholders	(127)	(193)
Application for units	460	1,119
Redemption of units	(2,360)	(2,097)
Total net assets attributable to unitholders at the end of the year	<u>7,357</u>	<u>9,232</u>

Statement of cash flows - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through Profit or loss	2,153	1,049
Purchase of financial instruments held at fair value through profit or loss	-	(350)
Dividends received	281	454
Interest received	1	1
Other revenue received	-	2
Management fees	(83)	(97)
Custodian fees	(68)	(67)
Payment of other expenses	(4)	(15)
Net cash inflow from operating activities	2,280	977
Cash flows from financing activities		
Receipts from issue of units	460	1,119
Payments for redemption of units	(2,360)	(2,097)
Distributions paid	(112)	(238)
Net cash outflows from financing activities	(2,012)	(1,216)
Net increase/(decrease) in cash and cash equivalents	268	(239)
Cash and cash equivalents at the beginning of the year	159	398
Cash and cash equivalents at the end of the year	427	159

1 General information

The Group Investment Fund 1 invests in a portfolio of diversified investments with 70% invested in defensive assets (cash and fixed interest) and 30% in growth assets (shares and property) and is designed for clients requiring an investment over the medium term with moderate exposure to market risk.

The Group Investment Fund 1 is managed by the Public Trustee.

The information provided in this annual report is unaudited.

2 Basis of accounting

This special purpose financial report has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board.

The financial report has been prepared on an accruals basis.

The financial statements are presented in Australian dollars. Both the functional and presentation currency is Australian dollars.

Rounding

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated. Rounding is consistent with Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, related to "rounding off" of amounts in the financial statements.

New and amended standards adopted by the Group Investment Fund 1

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that would be expected to have a material impact on the Group Investment Fund 1.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Impairment of financial assets

At the end of each reporting date, the Group Investment Fund 1 assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(b) Financial instruments

Non-derivative financial assets

The Group Investment Fund 1 initially recognizes financial assets on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value being the consideration given.

On initial recognition, the entity classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB 9, the classification of the financial assets that the entity held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

The entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset that is created or retained by the entity is recognised as a separate asset or liability.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments to principal and interest.

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in value recognised in profit or loss.

(c) Investment revenue recognition

Investment revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group Investment Fund 1 and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Interest received from investments in cash and cash equivalents

Interest income is recognised using the effective interest rate method.

Distributions from unlisted managed investment schemes

Distributions from unlisted managed investment schemes are recognised in the Statement of Comprehensive Income in the year the income was earned by the unlisted managed investment scheme. Distributions received may include capital gains. The Fund is required to offset carried forward capital losses with any capital gains received as part of a distribution. If this situation arises the distributable income of the Fund will not be the same as the distributions the Fund receives.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, deposits at call and short-term deposits with an original maturity of 12 months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Taxation

Under current legislation, the Group Investment Fund 1 is not subject to income tax provided the unitholders are presently entitled to the income of the Group Investment Fund 1 and the Group Investment Fund 1 fully distributes net taxable income.

(f) Distributions

Income is calculated quarterly and is distributed to investors in January, April, July and October.

(g) Unit holders

Redeemable units

All units issued by the Fund provide investors with the right to require redemption for cash and give rise to a financial liability.

Unit prices

Unit prices are calculated as the net assets of the Fund, less estimated costs, divided by the number of units on issue.

Change in net assets attributable to investors

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the Statement of Comprehensive Income as change in net assets attributable to unitholders.

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

The Group Investment Fund 1 qualifies for Reduced Input Tax Credits (RITC) on management fees. These RITCs recoverable by the Group Investment Fund 1 from the ATO are recognised in the statement of comprehensive income.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(i) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group Investment Fund 1 no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(j) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been early adopted by the Fund.

There are no standards that are not yet effective and that are expected to have a material impact on the Group Investment Fund 1 in the current or future reporting periods and on foreseeable future transactions.

4	Net assets attributable to unitholders - liability	As at	
		30 June 2016	30 June 2015
		\$'000	\$'000
	Client funds	7,357	9,232
	Net assets attributable to unitholders - liability	7,357	9,232

5 Financial risk management

The Group Investment Fund 1 financial instruments consist mainly of investments in unlisted managed funds.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	2016	2015
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	427	159
Receivables	137	96
Financial assets at fair value through profit or loss	<u>6,916</u>	<u>9,074</u>
	<u>7,480</u>	<u>9,329</u>
Financial liabilities		
Trade and other payables	<u>123</u>	<u>97</u>

Financial risk management policies

The Group Investment Fund 1's overall risk management strategy seeks to assist the entity in meeting its financial targets, while minimising potential adverse effects on financial performance.

Specific financial risk exposure and management

The main risks the Group Investment Fund 1 is exposed to through its financial instruments are investment manager risk, liquidity risk and market risk.

There have been no substantive changes in the types of risks the entity is exposed to, how these risks arise, or the Group Investment Fund 1's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Investment manager risk

Investment manager risk is the risk that an investment in a fund managed by an external fund manager does not achieve the performance objectives of the Fund. To reduce this risk the Public Trustee utilises the services of a professional asset consultant when selecting managers and in monitoring their ongoing performance. In addition the Public Trustee's Investment Committee, a Board subcommittee, reviews the performance of the Fund's investment managers on a quarterly basis.

b. Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis;
- investing with reputable investment managers; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflect the undiscounted contractual maturity for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Trade and other payables	(123)	(97)	-	-	(123)	(97)
Total expected outflows	(123)	(97)	-	-	(123)	(97)
Financial assets – cash flow realisable						
Cash and cash equivalents	427	159	-	-	427	159
Receivables	137	96	-	-	137	96
Financial assets at fair value	6,916	9,074	-	-	6,916	9,074
Total anticipated inflows	7,480	9,329	-	-	7,480	9,329
Net inflow on financial instruments	7,357	9,958	-	-	7,357	9,232

c. Market risk*Interest rate risk*

Investments in the Group Investment Fund 1 are subject to interest rate risk and movements in interest rates will have an impact on the underlying value of its investments. For example, the market value of an Australian Government Bond will increase in value when interest rates are declining. The Fund has 70% of its assets invested in defensive assets (cash and fixed interest) and 30% in growth assets (Property and Equity).

Market price risk

Market price risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. The Managed Investment Funds invest in listed and unlisted securities across a wide range of securities and is therefore subject to market price risk. Managers Price risk is mitigated by selecting investments that have a robust investment process in place. Risk is further reduced by having the Portfolio diversified across the major recognised assets classes.

Net fair values**(i) Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the entity. Most of these instruments, which are carried at amortised cost (i.e. trade receivables) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the entity.

(ii) Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted unit prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
Financial assets				
Investments in unlisted managed funds	-	6,916	-	6,916
2015				
Financial assets				
Investments in unlisted managed funds	-	9,074	-	9,074

The fair value of investments in unlisted managed funds has been based on the closing quoted unit prices at the end of the reporting period, excluding transaction costs.

6 Related party transactions

A management fee is calculated by the Public Trustee against money invested in the Group Investment Fund 1 at the rate of 1.1% (inclusive of GST) of the value of the Group Investment Fund 1 on a daily basis. The management fee is charged as at the last business day of each month.

7 Events after the reporting period

The Group Investment Fund 1 is not aware of any significant events since the end of the reporting period.

Public Trustee Group Investment Fund 2 Special Purpose Annual Report - 30 June 2016

General information

The Public Trustee Group Investment Fund 2 invests in a portfolio of diversified investments. The fund is designed for those clients requiring a balanced exposure to market risk in their investment portfolio over a longer timeframe (6+ years). The fund holds a major proportion of funds in growth assets (property, Australian shares and International shares) with some exposure to defensive assets (cash and Australian fixed interest).

The benchmark asset allocation of the fund is as follows

Benchmark Asset Allocation	
Cash	10%
Australian Fixed Interest	30%
Australian Shares	30%
International Shares	10%
International Shares – Hedged to AUD	10%
Property	10%

The investments of the fund are managed by professional investment managers appointed by the Public Trustee. The Public Trustee also utilises the services of an external administrator and custodian.

Income is distributed quarterly in January, April, July and October each year.

The performance of the Group Investment Fund 2, after fees, to 30 June 2016 is as follows;

Performance after Fees to 30 June 2016	
1 Month	-0.49%
3 Months	3.38%
6 Months	2.75%
1 year	3.45%
2 years	6.02%
3 years	8.09%
5 years	8.22%

The information provided in this annual report is unaudited.

Public Trustee Group Investment Fund 2
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Investment revenue		
Dividend/distribution Income	3,759	3,531
Interest income	11	5
Net gains/losses on financial instruments held at fair value through profit or loss	(522)	3,447
Total investment revenue	3,248	6,983
Expenses		
Management fees charged by Public Trustee	708	723
Custody fees	69	67
Other expenses	64	78
Total operating expenses	841	868
Net profit attributable to account holders	2,407	6,115
Distributions to account holders	(2,382)	(2,364)
Change in net assets attributable to unitholders	(25)	(3,751)
Amount retained but not distributed	-	-

Public Trustee Group Investment Fund 2
Statement of financial position
As at 30 June 2016

Statement of financial position - unaudited

		As at	
		30 June	30 June
		2016	2015
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		1,041	867
Receivables		2,027	1,301
Financial assets at fair value through profit or loss		<u>71,062</u>	<u>71,438</u>
Total assets		<u>74,130</u>	<u>73,606</u>
Liabilities			
Distributions Payable		1,396	895
Payables		<u>119</u>	<u>110</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>1,515</u>	<u>1,005</u>
Net assets attributable to unitholders - liability	4	<u>72,615</u>	<u>72,601</u>

Public Trustee Group Investment Fund 2
Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2016

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June	30 June
	2016	2015
	\$'000	\$'000
Total net assets attributable to unitholders at the beginning of the year	72,601	73,899
Net profit attributable to unitholders	2,407	6,115
Distributions to unitholders	(2,382)	(2,364)
Application for units	7,869	3,609
Redemption of units	(7,880)	(8,658)
Total net assets attributable to unitholders at the end of the year	<u>72,615</u>	<u>72,601</u>

Public Trustee Group Investment Fund 2
Statement of cash flows
For the year ended 30 June 2016

Statement of cash flows - unaudited

	Year ended	
	30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through Profit or loss	4,754	7,914
Purchase of financial instruments held at fair value through profit or loss	(4,900)	(3,066)
Dividends received	3,042	3,836
Interest received	10	5
Management fees	(709)	(723)
Custodian fees	(68)	(67)
Payment of other expenses	(63)	(68)
Net cash inflow from operating activities	2,066	7,831
Cash flows from financing activities		
Receipts from issue of units	7,869	3,609
Payments for redemption of units	(7,880)	(8,658)
Distributions paid	(1,881)	(2,786)
Net cash outflow from financing activities	(1,892)	(7,835)
Net increase/(decrease) in cash and cash equivalents	174	(4)
Cash and cash equivalents at the beginning of the year	867	871
Cash and cash equivalents at the end of the year	1,041	867

1 General information

The Group Investment Fund 2 invests in a diversified portfolio with 40% invested in cash and fixed interest and 60% in shares and property. The Fund is designed for those clients requiring a balanced exposure to market risk in the investment portfolio over a longer timeframe (6+ years).

The Group Investment Fund 2 is managed by the Public Trustee.

The information provided in this annual report is unaudited.

2 Basis of accounting

This special purpose financial report has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board.

The financial report has been prepared on an accruals basis.

The financial statements are presented in Australian dollars. Both the functional and presentation currency is Australian dollars.

Rounding

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated. Rounding is consistent with Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, related to "rounding off" of amounts in the financial statements.

New and amended standards adopted by the Group Investment Fund 2

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that would be expected to have a material impact on the Group Investment Fund 2.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Impairment of financial assets

At the end of each reporting date, the Group Investment Fund 2 assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(b) Financial instruments

Non-derivative financial assets

The Group Investment Fund 2 initially recognizes financial assets on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value being the consideration given.

On initial recognition, the entity classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB 9, the classification of the financial assets that the entity held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

The entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset that is created or retained by the entity is recognised as a separate asset or liability.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments to principal and interest.

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in value recognised in profit or loss.

(c) Investment revenue recognition

Investment revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group Investment Fund 2 and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Interest received from investments in cash and cash equivalents

Interest income is recognised using the effective interest rate method.

Distributions from unlisted managed investment schemes

Distributions from unlisted managed investment schemes are recognised in the Statement of Comprehensive Income in the year the income was earned by the unlisted managed investment scheme. Distributions received may include capital gains. The Fund is required to offset carried forward capital losses with any capital gains received as part of a distribution. If this situation arises the distributable income of the Fund will not be the same as the distributions the Fund receives.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, deposits at call and short-term deposits with an original maturity of 12 months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Taxation

Under current legislation, the Group Investment Fund 2 is not subject to income tax provided the unitholders are presently entitled to the income of the Group Investment Fund 2 and the Group Investment Fund 2 fully distributes net taxable income.

(f) Distributions

Income is calculated quarterly and is distributed to investors in January, April, July and October.

(g) Unit holders

Redeemable units

All units issued by the Fund provide investors with the right to require redemption for cash and give rise to a financial liability.

Unit prices

Unit prices are calculated as the net assets of the Fund, less estimated costs, divided by the number of units on issue.

Change in net assets attributable to investors

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the Statement of Comprehensive Income as change in net assets attributable to unitholders.

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

The Group Investment Fund 2 qualifies for Reduced Input Tax Credits (RITC) on management fees. These RITCs recoverable by the Group Investment Fund 2 from the ATO are recognised in the statement of comprehensive income.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(i) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group Investment Fund 2 no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(j) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Fund.

There are no standards that are not yet effective and that are expected to have a material impact on the Group Investment Fund 2 in the current or future reporting periods and on foreseeable future transactions.

4	Net assets attributable to unitholders - liability	As at	
		30 June 2016 \$'000	30 June 2015 \$'000
	Client funds	72,615	72,601
	Net assets attributable to unitholders - liability	72,615	72,601

5 Financial risk management

The Group Investment Fund 2 financial instruments consist mainly of investments in unlisted managed funds.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	2016 \$'000	2015 \$'000
Financial assets		
Cash and cash equivalents	1,041	867
Receivables	2,027	1,301
Financial assets at fair value through profit or loss	71,062	71,438
	<u>74,130</u>	<u>73,606</u>
Financial liabilities		
Trade and other payables	1,515	1,005

Financial risk management policies

The Group Investment Fund 2's overall risk management strategy seeks to assist the entity in meeting its financial targets, while minimising potential adverse effects on financial performance.

Specific financial risk exposure and management

The main risks the Group Investment Fund 2 is exposed to through its financial instruments are investment manager risk, liquidity risk and market risk.

There have been no substantive changes in the types of risks the entity is exposed to, how these risks arise, or the Group Investment Fund 2's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Investment manager risk

Investment manager risk is the risk that an investment in a fund managed by an external fund manager does not achieve the performance objectives of the Fund. To reduce this risk the Public Trustee utilises the services of a professional asset consultant when selecting managers and in monitoring their ongoing performance. In addition the Public Trustee's Investment Committee, a Board subcommittee, reviews the performance of the Fund's investment managers on a quarterly basis.

b. Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis,
- investing with reputable investment managers,
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflect the undiscounted contractual maturity for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Trade and other payables	(1,515)	(1,005)	-	-	(1,515)	(1,005)
Total expected outflows	(1,515)	(1,005)	-	-	(1,515)	(1,005)
Financial assets – cash flow realisable						
Cash and cash equivalents	1,041	867	-	-	1,041	867
Receivables	2,027	1,301	-	-	2,027	1,301
Financial assets at fair value	71,062	71,438	-	-	71,062	71,438
Total anticipated inflows	74,130	73,606	-	-	74,130	73,606
Net inflow on financial instruments	72,615	72,601	-	-	72,615	72,601

c. Market risk*Interest rate risk*

Investments in the Group Investment Fund 2 are subject to interest rate risk and movements in interest rates will have an impact on the underlying value of its investments. For example, the market value of an Australian Government Bond will increase in value when interest rates are declining. The Fund has 70% of its assets invested in defensive assets (cash and fixed interest) and 30% in growth assets (Property and Equity).

Market price risk

Market price risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. The Macquarie and Black Rock Investment Funds invest in listed and unlisted securities across a wide range of securities and is therefore subject to market price risk. Managers Price risk is mitigated by selecting investments that have a robust investment process in place. Risk is further reduced by having the Portfolio diversified across the major recognised assets classes.

Net fair values**(i) Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the entity. Most of these instruments, which are carried at amortised cost (i.e. trade receivables) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the entity.

(ii) Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted unit prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2016				
Financial assets				
Investments in unlisted managed funds	-	71,062	-	71,062
2015				
Financial assets				
Investments in unlisted managed funds	-	71,438	-	71,438

The fair value of investments in unlisted managed funds has been based on the closing quoted unit prices at the end of the reporting period, excluding transaction costs.

6 Related party transactions

A management fee is calculated by the Public Trustee against money invested in the Group Investment Fund 2 at the rate of 1.1% (inclusive of GST) of the value of the Group Investment Fund 2 on a daily basis. The management fee is charged as at the last business day of each month.

7 Events after the reporting period

The Group Investment Fund 2 is not aware of any significant events since the end of the reporting period.