Annual Report 2016/2017

Public Trustee
Every moment counts

17 October 2017

The Hon Will Hodgman MP
Attorney- General
Level 11, 15 Murray Street
HOBART TAS 7000

The Hon Peter Gutwein MP
Treasurer
Level 9, 15 Murray Street
HOBART TAS 7000

Dear Ministers,

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 2017.

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

Yours sincerely,

Mark Scanlon
Chairperson
The Board of the Public Trustee

David Benbow
Chief Executive Officer
Public Trustee

Cc: The Auditor- General

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1. Responsible Minister

The Public Trustee is directly responsible to the Attorney General and Treasurer 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 2017.

Financial Year Result

The organisation achieved a profit after tax for the financial year of $749k compared with a profit last year of $106k. Total comprehensive income for the year ended 30 June 2017 amounted to $2,517k compared to a comprehensive loss of $1,808k for the financial year ended 30 June 2016.

Factors contributing to the total comprehensive profit were:

- total revenue from activities was 8% higher than last year;
- of total revenue, fees and commission increased by 4.9% on last year and Community Service Obligation funding increased by 20.5%;
- total expenses from ordinary activities decreased by 3.3% during the year. Salaries and associated expenses were down 2.1% on the prior year due to reduced staff numbers. Savings in operating expenditure were made in administrative and finance expenses;
- dividend distributions on the Public Trustee's investment of its corporate funds was $574k, down from $640k in 2016;
- corporate investments increased by $440k in value (before tax) compared with a decrease of $77k last year; and
- the annual re-measurement of the organisation's defined benefit liability resulted in a gain of $2,085k (before tax) compared to a re-measurement loss of $2,657k in 2016.

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.

The dividend to be paid to Government for the financial year ended June 2017 is $96k, which represents 90% of the Public Trustee's operating profit after tax for the year ended June 2017 less 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 2017, the Public Trustee managed the affairs of 682 Community Service Obligation (CSO) Represented Person (RP) clients, an increase of 111 clients in comparison with the same period last year.

A new CSO Agreement has been negotiated with the Treasurer for a three-year term, effective from 1 July 2017.

The Government has determined not to seek payment of a dividend while the amount of any dividend is less than the CSO funding gap. A review of this arrangement is to be conducted annually.

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.

A number of strategic initiatives are under development, central to the three key strategic themes:

- Grow the business;
- Continuous improvement; and
- Be a sustainable business.

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. A review of Board performance is undertaken annually.

The Board of the Public Trustee has recently completed a major period of transition. During this financial year Craig Stephens was farewelled after 12 years serving on the Board, the last three and a half of those as Chairperson. Caroline Rockefeller retired from the Board after over six years of service to the organisation. On behalf of the Board and Management, I would like to thank them both for their significant contribution to the Public Trustee.

This year Michael Dontschuk was appointed for his first term as a Director of the Public Trustee. Mike brings to the Board significant experience in the area of finance and investment, along with Board experience gained over many years. Liz Gillam was reappointed for a further three year term.

The Board looks forward to working with the Management team in the delivery of our corporate objectives over the next year.

Mark Scanlon
Chairperson
Board of the Public Trustee

6. Chief Executive Officer's Report

I have pleasure in presenting my report for the financial year 2016-17.

Client Management System Project

The Public Trustee finalised the development work of a Client Management System (CMS) during the year ended 30 June 2017. Implementation of this key IT project occurred in early July 2017. The CMS was developed to 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. Improvement in Client outcomes, including communication and timeliness, will result because 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.

Beneficiary Survey

The Public Trustee has incorporated survey data collection into normal business practice. During this year, 502 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 23% was achieved.

Of those beneficiaries that responded, 86% 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 survey results reflect the pride taken by Public Trustee staff in the professional services they provide on a daily basis.

Business Development Activities

A number of key activities have been implemented to increase the number of Estate Planning appointments undertaken by the Public Trustee.

These activities include campaigns with all State Service departments and agencies; offering State Service employees a 20% discount on estate planning services; requests for city councils, hospitals, and funeral directors to display our brochures; and future campaigns planned to target local government organisations, Commonwealth government departments and other private sector entities.

These marketing activities will also assist in increasing brand awareness.

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.

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

	2016/17	2015/16
New Wills	422	482
Revision Wills	676	756
Non-executor Wills	60	-
Seminars and presentations held	42	41
Seminar and presentation attendees	922	1070

Information Updates

The Public Trustee produces an annual newsletter available to clients and stakeholders. A copy of the newsletter is 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 periods.

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 Funds number 1 and 2.

People and Culture

The Public Trustee recognises and acknowledges our greatest asset is our people who play a crucial role in the delivery of efficient and effective service delivery to our clients. We are committed to ensuring our employees have the knowledge, skills and support they need to undertake their roles effectively. The following areas have been our focus during 2016-2017.

Performance Management

We recognise the role that effective performance management plays in the achievement of our goals and the delivery of quality services to our clients. We are working towards creating a high performance culture where the management of and accountability for performance and continuous improvement are priorities. During 2016-2017, all employees (except for those on probation) had a performance management agreement in place.

Work Health and Safety

We continue to build a workplace culture that values, supports and improves Work Health and Safety (WHS). Induction and annual work health and safety training for all employees and two-year training for managers ensures our employees have the knowledge and understanding they need to contribute to a healthy and safe workplace. Our WHS Management System ensures systems and processes are in place to reduce health and safety risks through hazard identification, risk assessment and the implementation of risk control measures.

During 2016-2017, we reviewed and updated our WHS Risk Register; our WHS Committee met four times to review WHS matters across the organisation.

Regular reviews of accident, incident and hazard reporting were undertaken; managers in all office locations conducted quarterly hazard inspections; employee workstation safety reviews were undertaken every six months; and all First Aiders and Wardens competencies and training is current.

Ergonomic workstation assessments are included as part of the employee induction process and on demand by existing employees on request. WHS is a standing agenda item on all team meetings to ensure WHS remains a priority.

Employee Wellbeing

We continue to apply a proactive approach to employee wellbeing. The following programs and initiatives were provided during 2016-2017 to support positive health outcomes for employees:

- flexible working practices;
- Employee Assistance Program offering confidential counselling support;
- provision of a sit/stand desk at each workstation 'pod';
- dietician support service;
- annual influenza vaccinations;
- workplace massage;
- subsidised yoga classes;
- stress management awareness sessions;
- walking groups; and
- locker and shower facilities available.

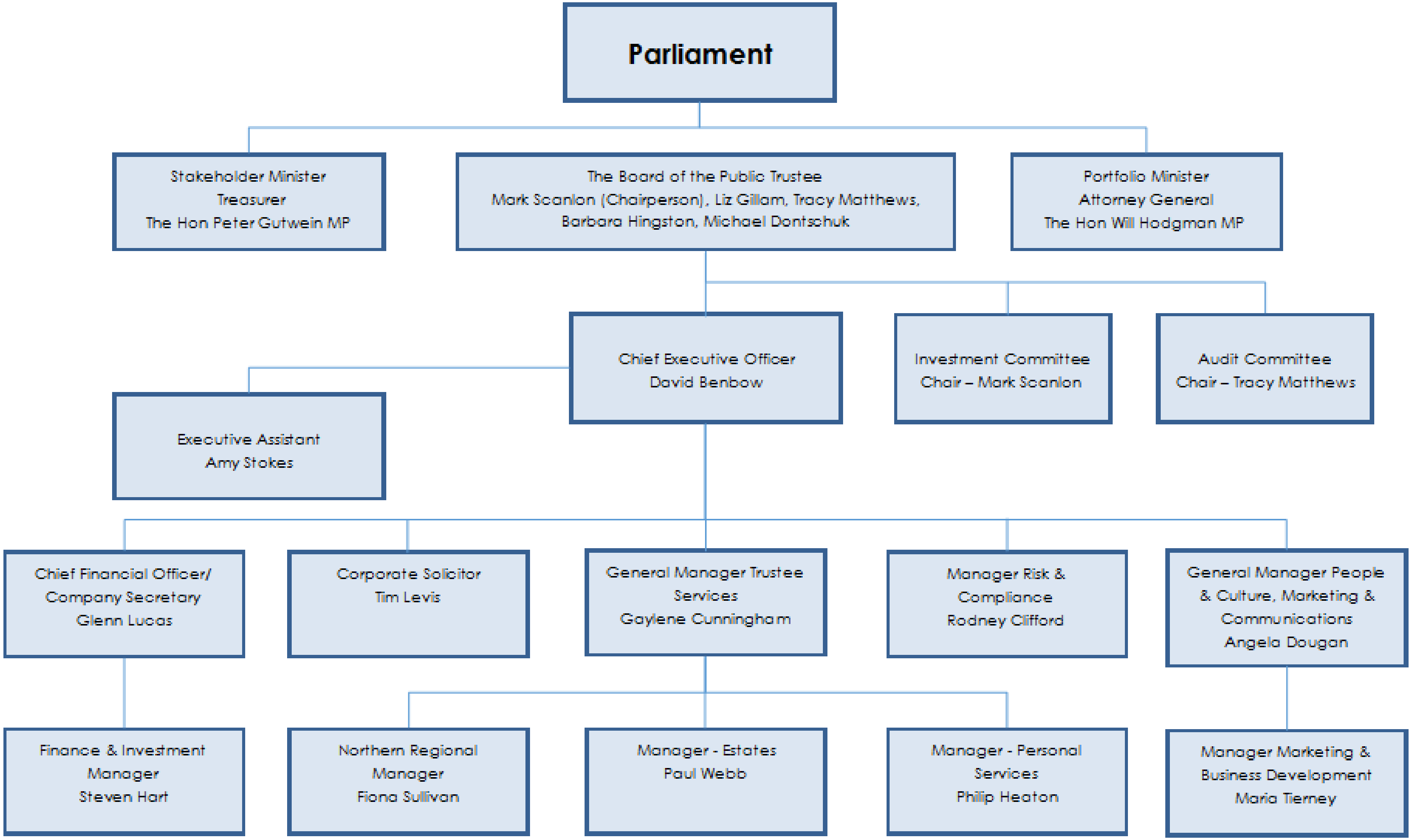
Workplace Diversity

Our Workplace Diversity Policy and Management Plan outlines our commitment to the recognition and utilisation of diversity in the workplace and the community we serve. Employees are reminded of our commitment at induction, biennial training and through annual reminders at team meetings. Our human resource management policies and practices provide for fair and equitable access to employment, promotion and personal development.

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.

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:

Mark Scanlon MBA BBus FCPA FAICD
Chairperson as from October 2016 to present
Chairperson of Investment Committee
Member of Audit Committee

Mark is a member of the Tasmanian Health Service (THS) Governing Council and Chairman of the THS Audit and Risk Committee.

Mark is Chairman of the Credit and Investments Ombudsman Service Limited and Independent Chairman of the Launceston City Council Audit Panel.

Other positions held previously include Governing Council member – Tasmanian Health organisation North, Director of the Motor Accidents Insurance Board (MAIB) and Chairman of the MAIB Audit Committee, Director of the Tasmanian Chamber of Commerce and Industry, President of the Launceston Chamber of Commerce, Managing Director of Tasmanian Perpetual Trustees Limited, Managing Director of Tasmanian Banking Services Limited and Joint Chief Executive Officer of MyState Limited.

Mark has over 30 years senior executive experience in a variety of industry sectors including funds management, trustee services, banking, health insurance and general insurance. He has a broad set of skills including strategic planning, leadership, business management, marketing and corporate governance.

Mark graduated with a Bachelor of Business (with distinction) from Victoria University. He has a Master of Business Administration from RMIT University and completed a Harvard Club of Australia Leadership Program.

Mark is a Fellow of CPA Australia and the Australian Institute of Company Directors.

Liz Gillam LLB
Board Member since December 2013
Member of the Audit Committee
Fellow of the Australian Institute of Company Directors.

Liz has significant experience at an executive level in both State and Local Government, primarily in the area of policy and legislation development. She is currently 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 since 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 since 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 also consulting to government and non-government organisations in governance and strategy, financial management, service performance, quality and safety 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.

Michael Dontschuk BSc (Hons), FFTP, GAICD
Board Member since July 2017
Member Investment Committee

Michael Dontschuk is a finance professional with over 35 years' experience in investment, finance, treasury and financial risk management.

He currently is a professional NED and sits on a number of company boards including Grange Resources Limited, Motor Accidents Insurance Board (Tasmania), Australia Ratings, Eticore and Public Trustee.

Previously he has been an executive with Grange Resources Limited, Group Treasurer of ANZ Bank, Managing Director of Treasury Corporation Victoria, President and Director of the Finance and Treasury Association of Australia and Manager at Bankers Trust and has worked extensively in corporate financial advisory and investment banking.

Craig Stephens BCom
Chairperson 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 was a key contributor to the Board's budgeting and financial management processes.

Caroline Rockefeller BCom
Board Member January 2010 to November 2016
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 was particularly valuable in her role as a member of the Public Trustee's Investment Committee.

CEO Performance Review

The performance of the CEO is reviewed annually against a performance management agreement. The review is conducted by the Chairperson in consultation with the full Board.

Code of Conduct

The Board has adopted a Code of Conduct for Directors.

Board Attendance

The number of Board and Committee meetings held in the period each Director held office during the financial year ended 30 June 2017 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
Mark Scanlon*	8	8	2	2	6	4
Liz Gillam	12	12	3	3	6	1 by invitation
Barbara Hingston	12	11	N/A	N/A	6	6
Tracy Matthews	12	12	3	3	6	1 by invitation
Craig Stephens*	4	4	1	1	2	2
Caroline Rockefeller*	6	6	N/A	N/A	4	4

* Mark Scanlon appointment as Chairperson in October 2016
* Craig Stephens retired as a Director in October 2016
* Caroline Rockefeller retired as a Director in November 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 by the Guardianship and Administration Board 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 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%

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.

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 new Community Service Obligation Agreement for three years effective from 1 July 2017 to 30 June 2020. A summary of the maximum funding amounts set out in the new agreement is set out as follows:

CSO Funding	Target 2016-17	Estimates 2017-18	2018-19	2019-20
Community Service Obligations ($ '000)	1,728	2,023	2,068	2,115

Note: Additional Community Service Obligation funding totalling $0.250 million per annum has been added to the 2016-17 Target 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

11. Financial Commentary

The Statement of Corporate Intent sets out the key financial and non-financial targets for 2016-17. The actual performance against these targets is shown below.

Financial Returns to Government

	Target 2016-17	Actual 2016-17
Dividends Paid ($ '000)	-	-
Tax Equivalents Paid / (Refund) ($ '000)	(123)	54
Total	(123)	54

Financial Targets

	Target 2016-17	Actual 2016-17
Operating Expenditure ($ '000)	8,121	7,672
Operating Profit After Tax ($'000)	98	749
Total Comprehensive Income ($000)	269	2,517
Capital Expenditure ($ '000)	540	162
Operating Margin	1.02	1.13
Return on Assets (%)	0.6%	4.5%
Return on Equity (%)	5.4%	12.6%
Capital Adequacy (%)	9.3%	23.6%

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

Non-Financial Targets

	Target 2016-17	Actual 2016-17
Number of new Wills written	300	422
Number of revised Wills written	380	676
Number of non-executor Wills written / re-written	110	60
Total wills written	790	1,158
Beneficiary survey results (%)	75%	86%
Will client survey results (%)	90%	98%

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 2017 the Public Trustee employed 52.62 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 2017, matters classified as Community Service Obligations accounted for 53% (2016: 49%) of the matters administered by the Public Trustee. The net avoidable cost to meet these obligations for the 2017 financial year was $2,556,308 (2016: $2,363,435).

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 2017 financial year was $1,978,000 (2016: $1,642,000).

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 2017 is as follows:

	Number of files reviewed by compliance	**Files with items of non-compliance raised**
July 2016 – June 2017	80	6

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	100
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	100
Deceased estate procedures fully explained	85	100
Grant of administration	95	75
TPT services letter dispatched	85	100
Completion of absolute deceased estates	80	76

Represented persons

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	100
Attendance at GAB hearing	100	99
Initial management plan: * initial statement * prudent person review * TPT fee collection	85	98
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 has in place an induction program for new staff members involved in service provision. Further relevant training is provided on an ongoing basis to both new and existing employees.

Performance: During the reporting period, four 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 has 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	3	Nil	3
Represented persons	2	Nil	2
Trusts	Nil	Nil	Nil
Total	**5**	**Nil**	**5**

Policy and procedural changes

A Delegations of Authority Policy and Register was introduced in September 2016 and sets out authorisations conferred by the Chief Executive Officer on employees of the Public Trustee for the purpose of carrying out their functions.

The development and implementation of this policy will provide employees with certainty in carrying out their functions.

Effective from 1 January 2017 the Public Trustee introduced an enhanced policy and procedure for Real Estate Administration. The purpose of the policy is to ensure that decisions made by the Public Trustee in respect of administering or managing real estate are in accordance with its power of appointment and the duties and obligations set out in Part ii of the *Trustee Act 1898* (“the Act”).

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.

These projects include:

- continued upgrade of TACT (our key trustee services operating system);
- enhancement of the Client Management System (CMS);
- implementation of a Business Services Unit;
- Records Information Management Project;
- Legal Services systems requirement review;
- Investment management process improvements; and
- IT Refresh.

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.

TACT upgrades

TACT is the Public Trustee's client trust accounting system. The organisation continues to develop this system to support changing business requirements.

CMS enhancement

The CMS was implemented in the beginning of July 2017.

IT Refresh

The Public Trustee's desk-top computers and server infrastructure has been upgraded during the year ended 30 June 2017.

Other projects

There are a number of business improvement projects that are required to transform the efficiency of the organisation. These include:

- Business Services Unit
- Records Information Management
- Legal Services Systems
- Investment Management Process
- Strategic IT review.

Capital expenditure in respect of these projects is under development through the organisation's strategic plan program of work.

12. Financial Statements

Public Trustee
Every moment counts

ABN 11 223 649 773

Financial Statements
30 June 2017

Tasmanian
Audit Office

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25 August 2017

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

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of The Public Trustee for the financial year ended 30 June 2017, 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 and Risk Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely

E R De Santi
Deputy Auditor-General

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2017

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	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	4	**7,973**	7,359
Other income	5	**711**	681
Total revenue		**8,684**	8,040
Administrative expenses		**(1,547)**	(1,695)
Depreciation expense		**(237)**	(210)
Employee benefits expense	6	**(4,973)**	(5,082)
Finance expense	6	**(492)**	(529)
Occupancy expenses		**(423)**	(417)
Total expenses		**(7,672)**	(7,933)
Profit before income tax equivalent		**1,012**	107
Income tax equivalent expense	7a	**(263)**	(1)
Profit for the year		**749**	106
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	18	**2,085**	(2,657)
Related tax	7c	**(625)**	797
		1,460	(1,860)
Items that are or may be reclassified to profit or loss:			
Fair value movement in investments in managed funds		**440**	(77)
Related tax	7c	**(132)**	23
		308	(54)
Other comprehensive income / (loss), net of tax		**1,768**	(1,914)
Total comprehensive income / (loss)		**2,517**	(1,808)

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2017

	Note	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	11	**4,053**	2,737
Trade and other receivables	12	**422**	473
Current tax receivable		**-**	69
Prepayments		**86**	104
Total current assets		**4,561**	3,383
Non-current assets			
Other financial assets	13	**12,627**	12,197
Deferred tax assets	16	**3,455**	4,131
Plant and equipment	14	**1,559**	1,663
Total non-current assets		**17,641**	17,991
Total assets		**22,202**	21,374
Liabilities			
Current liabilities			
Trade and other payables	15	**700**	795
Current tax liabilities		**221**	-
Provisions	17	**1,487**	1,384
Total current liabilities		**2,408**	2,179
Non-current liabilities			
Provisions	17	**11,907**	13,825
Total non-current liabilities		**11,907**	13,825
Total liabilities		**14,315**	16,004
Net assets		**7,887**	5,370
Equity			
Retained earnings		**6,585**	4,376
Reserves	19	**1,302**	994
Total equity		**7,887**	5,370

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2017

	Note	Fair value reserve $'000	Retained earnings $'000	Total $'000
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 / (loss)		(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
Balance at 1 July 2016		994	4,376	5,370
Total comprehensive income / (loss)				
Profit		-	749	749
Other comprehensive income / (loss)		308	1,460	1,768
Total comprehensive income / (loss)		308	2,209	2,517
Transactions with owners of the Entity				
Dividends	10	-	-	-
Total transactions		-	-	-
Balance at 30 June 2017		1,302	6,585	7,887

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from clients		**8,311**	7,519
Payments to suppliers and employees		**(7,559)**	(7,587)
Interest received		**137**	39
Income tax equivalent paid		**(54)**	(262)
Net cash from / (used in) operating activities	21	**835**	(291)
Cash flows from investing activities			
Distributions from financial assets		**643**	540
Purchase of plant and equipment		**(162)**	(1,189)
Net cash provided by / (used in) investing activities		**481**	(649)
Cash flows from financing activities			
Dividends paid		**-**	-
Net cash used in financing activities		**-**	-
Net increase / (decrease) in cash held		**1,316**	(940)
Cash and cash equivalents at the beginning of year	11	**2,737**	3,677
Cash and cash equivalents at the end of year	11	**4,053**	2,737

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2017

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 25 August 2017. 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. In the current financial year $28,000 of impaired assets were identified and written off to profit or loss.

(ii) Employee benefits
Assumptions utilised in the determination of the entity's employee entitlement provisions are discussed in note 30 (f).

(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 2017

	2017 $'000	2016 $'000

Note 4. Revenue

	2017 $'000	2016 $'000
Fees and commissions	**5,995**	5,717
Funding of community service obligations	**1,978**	1,642
	7,973	7,359

Note 5. Other income

	2017 $'000	2016 $'000
Dividends received from other persons	**574**	640
Interest received from other persons	**137**	39
Rent	**-**	2
	711	681

Note 6. Net profit for the year

Profit before income tax includes the following specific expenses:

Expenses

	2017 $'000	2016 $'000
Employee benefits expense		
- wages and salaries	**3,608**	3,672
- defined benefits superannuation service cost (note 18)	**153**	135
- long service leave	**76**	175
- recreation leave	**364**	439
- superannuation	**337**	334
- other associated personnel expenses	**435**	327
	4,973	5,082
Finance expenses		
- defined benefits superannuation interest cost (note 18)	**492**	529

Note 7. Tax equivalent expense

a. The components of income tax equivalent expense comprise:

	2017 $'000	2016 $'000
Current tax	**344**	**63**
Deferred tax	**(81)**	**(64)**
	263	**(1)**

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

	2017 $'000	2016 $'000
Prima facie tax payable on profit before income tax at 30% (2016: 30%)		
- entity	**303**	**32**
Add tax effect of:		
- Entertainment	**-**	**1**
- Under / (over) provision for income tax in prior years	**(3)**	**7**
Less tax effect of:		
- available franking credits	**(37)**	**(40)**
- non-assessable tax deferred amounts	**-**	**(1)**
Income tax attributable to entity	**263**	**(1)**

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

	2017 $'000	2016 $'000
Remeasurement of defined benefit liability		
Before tax amount	**2,085**	**(2,657)**
Income tax equivalent (expense) / benefit	**(625)**	**797**
Net-of-tax amount	**1,460**	**(1,860)**
Fair value movement in investments in managed funds		
Before tax amount	**440**	**(77)**
Income tax equivalent (expense) / benefit	**(132)**	**23**
Net-of-tax amount	**308**	**(54)**

Notes to the financial statements
for the year ended 30 June 2017

Note 8. Key management personnel compensation

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

	2017 $'000	2016 $'000
Short-term employee benefits	**896**	570
Post-employment benefits	**87**	52
Termination benefits	**-**	118
	983	740

(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:

2017				
Director Remuneration	**Directors' fees $'000**	**Committee fees $'000**	**Superannuation $'000**	**Total 2017 $'000**
Non-Executive Directors				
Mr M Scanlon – Chairperson #	26	1	3	30
Mr C Stephens – Chairperson #	19	2	2	23
Ms L Gillam	25	1	2	28
Mr P Blackwood	2	-	-	2
Ms C Rockefeller	13	2	1	16
Ms T Matthews	25	1	2	28
Ms B Hingston	22	1	2	25
Total	**132**	**8**	**12**	**152**

2016				
Director Remuneration	**Directors' fees $'000**	**Committee fees $'000**	**Superannuation $'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**

Mr C Stephens' term as a director expired on 10 October 2016. Mr M Scanlon was appointed as Chairperson on 10 October 2016. 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.

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 2017

(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:

2017						
Executive Remuneration	**Salary** **$'000**	**Termination Benefits** **$'000**	**Superannuation** **$'000**	**Vehicles** **$'000**	**Other non-monetary benefits** **$'000**	**Total 2017** **$'000**
Mr D Benbow- Chief Executive Officer	177	-	17	17	6	217
Mr R Clifford - Manager Risk & Compliance	103	-	10	-	2	115
Ms G Cunningham - General Manager Trustee Services	112	-	14	-	4	130
Ms A Dougan - General Manager People & Culture, Marketing and Communications	112	-	11	-	4	127
Mr T Levis - Corporate Solicitor	121	-	12	-	4	137
Mr G Lucas - Chief Financial Officer & Company Secretary	114	-	11	-	4	129
Total	**739**	**-**	**75**	**17**	**24**	**855**

The entity has completed its review of the structure of its Executive Management Team and implemented a new structure in the 2017 financial year. 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.

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

(b) Executive remuneration (continued)

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.

Note 9. Auditor's remuneration

	2017 $	2016 $
Remuneration of the auditor for:		
- auditing the financial statements	**29,920**	29,330

Note 10. Dividends

	2017 $'000	2016 $'000
Declared and paid	**-**	-

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.

	2017 $'000	2016 $'000

Note 11. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	**1**	1
Short term bank deposits	**4,052**	2,736
	4,053	2,737

The effective interest rate on short-term bank deposits was between 1.1% and 1.7% (2016: between 1.5% and 1.8%).

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:

	2017 $'000	2016 $'000
Cash and cash equivalents	**4,053**	2,737

In its capacity as trustee and financial administrator the entity holds funds on behalf of it 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

	2017 $'000	2016 $'000
Current		
Trade receivables	**278**	**409**
Other receivable	**144**	**64**
	422	**473**

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.

			Past due but not impaired (days overdue)				
	Gross $'000	Past due and impaired $'000	< 30 days $'000	31 - 60 days $'000	61 - 90 days $'000	> 90 days $'000	Within trade terms $'000
2017							
Trade receivables	**278**						**278**
2016							
Trade receivables	409	-	-	-	-	-	409

Note 13. Other financial assets

	2017 $'000	2016 $'000
Non-current		
Investments in managed funds at fair value through other comprehensive income.	**12,627**	12,197
	12,627	12,197

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 2017.

Note 14. Plant and equipment

	2017 $'000	2016 $'000
Plant and equipment		
Leasehold improvements at cost	**1,136**	1,131
Accumulated amortisation	**(386)**	(289)
	750	842
Fixtures, furniture and equipment at cost	**1,510**	1,369
Accumulated depreciation	**(1,075)**	(907)
	435	462
Capital works in progress	**375**	359
	375	359
	1,559	1,663

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:

	2017 $'000	2016 $'000
Leasehold improvements		
Balance at 1 July	**842**	1,074
Additions	**5**	-
Reclassifications	**-**	(139)
Depreciation expense	**(97)**	(93)
Balance at 30 June	**750**	842
Fixtures, furniture and equipment		
Balance at 1 July	**462**	229
Additions	**12**	63
Reclassifications	**129**	287
Assets written off	**(28)**	-
Depreciation expense	**(140)**	(117)
Balance at 30 June	**435**	462
Capital works in progress		
Balance at 1 July	**359**	62
Additions	**145**	445
Reclassification	**(129)**	(148)
Balance at 30 June	**375**	359

Note 15. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables	**181**	202
Sundry payables and accrued expenses	**519**	593
	700	795

Note 16. Deferred tax asset

	2017 $'000	2016 $'000
Non-Current		
Deferred tax assets		
Balance at 1 July	**4,131**	3,248
Provisions – employee benefits	**(545)**	880
Other expenses	**1**	(21)
Change in value of managed funds	**(132)**	24
Balance at 30 June	**3,455**	4,131

Note 17. Provisions

	2017 $'000	2016 $'000
Analysis of total provisions		
Current		
Losses	**52**	50
Recreation leave	**330**	319
Long service leave	**287**	311
Defined benefits obligation	**818**	704
Total current	**1,487**	1,384
Non-current		
Long service leave	**377**	305
Defined benefits obligation	**11,530**	13,520
Total non-current	**11,907**	13,825
Total provisions	**13,394**	15,209
Losses		
Balance at 1 July	**50**	50
Additional provisions	**2**	-
Balance at 30 June	**52**	50
Employee benefits		
Balance at 1 July	**15,159**	12,226
Additional provisions	**683**	289
Amounts used	**(415)**	(13)
Unused amounts reversed - *	**(2,085)**	2,657
Balance at 30 June	**13,342**	15,159

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

Provision of losses

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

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 30(i).

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	**2017 $'000**	**2016 $'000**
Present value of defined benefit obligations at the beginning of the year	**16,670**	13,954
Current service cost	**153**	135
Interest cost	**576**	648
Contributions by plan participants	**31**	33
Actuarial (gains) losses	**(1,691)**	2,516
Benefits paid	**(682)**	(592)
Taxes, premiums and expenses	**(23)**	(24)
Present value of defined benefit obligations at the end of the year	**15,034**	16,670

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	**2,446**	2,565
Interest income	**84**	119
Actual return on plan assets less interest income	**296**	(141)
Employer contributions	**534**	486
Contributions by plan participants	**31**	33
Benefit paid	**(682)**	(592)
Taxes, premiums and expenses	**(23)**	(24)
Fair value of plan assets at the end of the year	**2,686**	2,446

Reconciliation of the net defined benefit liability		
Defined benefit obligation	**15,034**	16,670
Fair value of plan assets	**(2,686)**	(2,446)
Net defined benefit liability	**12,348**	14,224
Current net liability	**818**	704
Non-current net liability	**11,530**	13,520
	12,348	14,224

	2017 $'000	2016 $'000
Expense recognised in the statement of comprehensive income		
Service cost	**153**	135
Interest cost	**492**	529
	645	664
Amounts recognised in other comprehensive income		
Actuarial (gains) losses	**(2,085)**	2,657
Cumulative amount recognised in other comprehensive income		
Cumulative amount of actuarial (gains) losses at end of prior year	**5,426**	2,769
Actuarial (gains) losses recognised during the year	**(2,085)**	2,657
Cumulative amount of actuarial (gains) losses at end of year	**3,341**	5,426

Fair value of scheme assets
As at 30 June 2017^

Asset Category	Total $'000
International equities	533
Diversified fixed interest	137
Property	373
Alternative investments	746
Cash and cash equivalents	439
Australian equities	458
Total	**2,686**

^ Estimated based on assets allocated to Public Trustee as at 30 June 2017 and asset allocation of the Contributory Scheme as at 31 March 2017.

The following table shows the percentage of each class of asset that have a quoted market price in an active market for RBF as a whole as at 30 June 2016

As at 30 June 2016 Asset category	Total	Quoted prices in active markets for identical assets - Level 1	Significant observable inputs – Level 2	Unobservable inputs – Level 3
Cash and cash equivalents	100%	45.3%	54.7%	0.0%
Equity instruments	100%	7.0%	85.0%	8.0%
Debt instruments	100%	0.0%	100.0%	0.0%
Derivatives	100%	0.1%	99.9%	0.0%
Total	**100%**	**34.1%**	**63.7%**	**2.2%**

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 2017	30 June 2016
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
Assumptions to determine end of year defined benefit obligation:		
Discount rate (active member and pensioners)	**4.35% pa**	3.55% pa
Expected rate of increase in compulsory preserved amounts	**3.00% pa**	4.50% pa
Expected salary increase rate	**3.00% pa**	3.00% pa
Expected pension increase rate	**2.50% pa**	2.50% pa

Notes to the financial statements
for the year ended 30 June 2017

Sensitivity analysis

The defined benefit obligation as at 30 June 2017 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.

	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	4.35% pa	3.35% pa	5.35% pa	4.35% pa	4.35% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation ($'000)	15,034	17,041	13,396	13,625	16,684

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	**818**

Note 19. Reserves

	2017 $'000	2016 $'000
Fair value reserve	**994**	1,048
Balance at beginning of year		-
Fair value movement in investments in managed funds (net of related tax)	**308**	(54)
Balance at end of the year	**1,302**	994

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:

	2017 $'000	2016 $'000
- Not later than one year	**422**	404
- Later than one year but not later than five years	**1,085**	1,300
- Later than five years	**-**	108
	1,507	1,812

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.

Note 21. Cash flow information

a. Reconciliation of cash flows from operations with profit after income tax	2017 $'000	2016 $'000
Profit after income tax before other comprehensive income	**749**	**106**
Non-cash flows in profit:		
Depreciation	**237**	**210**
Assets written off expense	**28**	**-**
Distribution income treated as investing activities	**(575)**	**(640)**
Changes in assets and liabilities:		
(Increase) in trade and other receivables	**(5)**	**(61)**
Decrease/ (increase) in prepayments	**18**	**(100)**
(Decrease) / increase in trade and other payables	**(95)**	**181**
Decrease / (increase) in tax assets	**207**	**(262)**
Increase in provisions	**271**	**275**
Cash flows provided by / (used in) operations	**835**	**(291)**

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

Effective from 4 July 2017, the Governor of Tasmania appointed Mr Michael Dontschuk as a Director of the Public Trustee for a term of three (3) years.

Since 30 June 2017, there were no other matters that have occurred after balance date requiring disclosure.

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

There were no related party transactions during the year ended 30 June 2017.

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 Financial Instruments as detailed in the accounting policies to these financial statements, are as follows.

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**4,053**	**2,737**
Trade and other receivables	**422**	**473**
Other financial assets	**12,627**	**12,197**
	17,102	**15,407**
Financial liabilities		
Trade and other payables	**700**	**795**

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.

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:

	2017 $'000	2016 $'000
Cash and cash equivalents		
- AA- Rated	**4,053**	**2,737**
Financial assets		
- Unrated	**12,627**	**12,197**
	12,627	**12,197**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial liabilities due for payment						
Trade and other payables	(700)	(795)	-	-	(700)	(795)
Total expected outflows	(700)	(795)	-	-	(700)	(795)
Financial assets – cash flow realisable						
Cash and cash equivalents	4,053	2,737		-	4,053	2,737
Trade and other receivables	422	473		-	422	473
Financial assets		-	12,627	12,197	12,627	12,197
Total anticipated inflows	4,475	3,210	12,627	12,197	17,102	15,407
Net inflow on financial instruments	3,775	2,415	12,627	12,197	16,402	14,612

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

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 2017		
+/- 100 bps in interest rates	**41**	**28**
+/- 100 bps in investments	**126**	**88**
Year ended 30 June 2016		
+/- 100 bps in interest rates	27	19
+/- 100 bps in investments	122	85

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
2017				
Financial assets				
Investments in unlisted managed funds	**-**	**12,627**	**-**	**12,627**
2016				
Financial assets				
Investments in unlisted managed funds	-	12,197	-	12,197

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 2017

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
2017				
Net assets				
Cash	**12,343**	**25**	**229**	**12,597**
Term deposits	**64,000**	**-**	**-**	**64,000**
Receivables	**-**	**97**	**1,650**	**1,747**
Financial assets				
- Cash	**-**	**2,858**	**6,024**	**8,882**
- Australian fixed interest *	**-**	**2,318**	**21,307**	**23,625**
- Australian equities *	**-**	**1,091**	**21,982**	**23,073**
- Property securities *	**-**	**449**	**7,446**	**7,895**
- International equities *	**-**	**371**	**7,627**	**7,998**
- International equities (hedged) *	**-**	**402**	**8,483**	**8,885**
Payables	**-**	**(70)**	**(1,925)**	**(1,995)**
	76,343	**7,541**	**72,823**	**156,707**
Equity				
Client funds	**72,290**	**7,541**	**72,823**	**152,654**
Entity funds	**4,053**	**-**	**-**	**4,053**
	76,343	**7,541**	**72,823**	**156,707**
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**

* 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 2017

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
2017				
Fund value				
Balance at 1 July	**66,032**	**7,357**	**72,615**	**146,004**
Applications	**122,171**	**2,508**	**4,611**	**129,290**
Redemptions	**(111,860)**	**(2,467)**	**(6,950)**	**(121,277)**
Net profit	**884**	**215**	**5,265**	**6,364**
Distributions	**(884)**	**(72)**	**(2,718)**	**(3,674)**
Balance at 30 June	**76,343**	**7,541**	**72,823**	**156,707**
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	66,032	7,357	72,615	146,004

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. During the year ended 30 June 2017, the entity settled a new CSO funding agreement with State for a 3-year term effective from 1 July 2017.

The amount of CSO funding received by the entity during the year ended 30 June 2017 was $1,978,000 (2016: $1,642,000).

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.

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 of 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:

Class of Fixed Asset	*Depreciation Rate*
Leasehold improvements	10%
Fixtures, furniture and equipment	10% to 40%

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.

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.

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.

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. Pending accounting standards

Certain new accounting standards and interpretations have been published and are not mandatory for 30 June 2017 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 2018)

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 2019.

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 2017 and the financial position as at 30 June 2017 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 2017 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 2017 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 2017 give a true and fair view.

Signed in accordance with a resolution of the directors:

Mark Scanlon
Chairperson

Tracy Matthews
Director

Hobart, 25 August 2017

Independent Auditor's Report

Independent Auditor's Report

To the Members of Parliament

Public Trustee

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Public Trustee which comprises the statement of financial position as at 30 June 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the certification statement by the directors.

In my opinion, the accompanying financial report:

(a) presents fairly, in all material respects, the Public Trustee's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year then ended

(b) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Public Trustee in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further 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.

I confirm that the independence declaration was provided to the directors of the Public Trustee on the same date as this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Defined benefits superannuation *Refer to notes 17 and 18*	
The Public Trustee had employees who were members of a defined benefit superannuation scheme. The Public Trustee's obligation under this scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at $12.35m at 30 June 2017. The value of the superannuation liability was significant and its estimation involved complex judgements about future events.	• Assessing the competence of the State Actuary that performed the valuation. • Evaluating information provided to the State Actuary. • Engaging an independent expert to assist us to evaluate the reasonableness of the assumptions used by the State Actuary in determining the liability. • Assessing the adequacy of the disclosures in the financial statements.
Investment in Financial Assets/Assets under management and trusteeship *Refer to notes 13 and 27*	
As at 30 June 2017, the Public Trustee had a large amount of assets invested in managed funds, $12.63m, measured at fair value based on advice from external providers. The Public Trustee also held assets managed on behalf of its clients, pursuant to *The Public Trustee Act 1930*, which had a high volume of activity and a significant monetary value at 30 June 2017, $156.71m. Assets held in trust were not recognised in the statement of financial position but disclosed by way of note. Investments included unlisted funds which	• Reconciling and confirming investment balances. • Analysing revenue and investment balances. • Obtaining and assessing confirmations of the number of units, the redemption value of units at year-end and copies of audited financial statements directly from fund managers • Assessing the adequacy of internal controls related to valuation of unlisted funds • Performing a reconciliation of the investment funds held in trust, including

...2 of 4

were valued based on proprietary valuations prepared by fund managers under their respective valuation methodologies.	agreeing the reasonableness of unit rates identified within the funds to supporting confirmations • Assessing the adequacy of disclosures in the financial statements.

Responsibilities of the Directors for the Financial Report

The directors of the Public Trustee are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Public Trustee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Public Trustee or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Trustee's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Public Trustee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Public Trustee to cease to continue as a going concern.

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

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Tasmanian Audit Office

28 August 2017
Hobart

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, 25 August 2017

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	36 days
Number of accounts due for payment	1441
Number of accounts paid on time	1422
Amount due for payment	$2.97 Million
Amount paid on time	$2.64 Million
Number of payments for interest on overdue accounts	NIL
Interest paid on overdue accounts	NIL

Commentary (if applicable)

Reason for delays: disputed accounts

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	93.4 %
Value of purchases from Tasmanian businesses (Exc GST)	$ 2.53 Million

Consultancies valued at more than $50,000 (ex GST)

Name of consultant	Location	Description	Period of engagement	Amount
			Total	**$ -**
Consultants engaged for $50,000 or less totalling				**$ 46,721**
			Total Payment to Consultants	**$ 46,721**

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 his/her plan.

16. Investment Fund Special Purpose Annual Reports for the Year Ended 30 June 2017

Public Trustee Common Fund
Special Purpose Annual Report - 30 June 2017

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 2017	
1 Month	1.29%
3 Months	1.48%
6 Months	1.35%
1 year	1.36%
2 years	1.50%
3 years	1.74%
5 years	2.28%

Statement of comprehensive income - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Investment revenue		
Interest income	1,759	1,810
Total investment revenue	**1,759**	**1,810**
Expenses		
Management fees charged by Public Trustee	783	732
Total operating expenses	**783**	**732**
Net profit attributable to account holders[1]	**976**	**1,078**
Distributions to account holders	(976)	(1,078)
Amount retained but not distributed	**-**	**-**

[1] The Common Fund net profit disclosed at Note 27 in the notes to the Financial Statements is incorrect and varies to the amount disclosed in the Annual Report. The amount disclosed at Note 27 does not include interim distributions of interest from the Common Fund paid out during the quarter; the correct amount of net profit is $976k as disclosed above. As at the 30th June 2017, all interest was distributed from the Common Fund with the change having no impact on investor entitlements.

Statement of financial position – unaudited

	Notes	As at 30 June 2017 $'000	30 June 2016 $'000
Assets			
Cash and cash equivalents		**76,343**	66,032
Total assets		**76,343**	66,032
Net assets attributable to unitholders - liability	4	**76,343**	66,032

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June 2017 $'000	30 June 2016 $'000
Total net assets attributable to unitholders at the beginning of the year	**66,032**	67,153
Net profit attributable to unitholders	**976**	1,078
Distributions to unitholders	**(976)**	(1,078)
Application for units	**122,171**	108,430
Redemption of units	**(111,860)**	(109,551)
Total net assets attributable to unitholders at the end of the year	**76,343**	66,032

Statement of cash flows - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities		
Interest received	**1,759**	**1,810**
Management fees	**(783)**	**(732)**
Net cash inflow from operating activities	**976**	**1,078**
Cash flows from financing activities		
Applications	**122,171**	**108,430**
Redemptions	**(111,860)**	**(109,551)**
Distributions paid	**(976)**	**(1,078)**
Net cash inflow/(outflow) from financing activities	**9,335**	**(2,199)**
Net increase/(decrease) in cash and cash equivalents	**10,311**	**(1,121)**
Cash and cash equivalents at the beginning of the year	**66,032**	**67,153**
Cash and cash equivalents at the end of the year	**76,343**	**66,032**

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 2016 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 31December. 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 2017 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 2017 $'000	30 June 2016 $'000
Client funds	**72,290**	63,295
Corporate funds	**4,053**	2,737
Net assets attributable to unitholders - liability	**76,343**	66,032

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.

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**76,343**	66,032
	76,343	66,032

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:

	2017 $'000	2016 $'000
Cash and cash equivalents		
- AA- Rated	**76,343**	66,032
	76,343	66,032

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 2017

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 2017 is as follows:

Performance after Fees to 30 June 2017	
1 Month	-0.67%
3 Months	0.20%
6 Months	1.60%
1 year	2.71%
2 years	2.36%
3 years	3.14%
5 years	4.96%

The information provided in this annual report is unaudited.

Statement of comprehensive income - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Investment revenue		
Dividend/distribution income	**253**	319
Interest income	**1**	1
Net gains/loss on financial instruments held at fair value through profit or loss	**120**	(3)
Total investment revenue	**374**	317
Expenses		
Management fees charged by Public Trustee	**77**	82
Custody fees	**68**	69
Other expenses	**14**	14
Total operating expenses	**159**	165
Net profit attributable to account holders	**215**	152
Distributions to account holders	**(72)**	(127)
Change in net assets attributable to unitholders	**(143)**	(25)
Amount retained but not distributed	**-**	-

Statement of financial position - unaudited

	Notes	As at 30 June 2017 $'000	30 June 2016 $'000
Assets			
Cash and cash equivalents		**25**	427
Receivables		**97**	137
Financial assets at fair value through profit or loss		**7,489**	6,916
Total assets		**7,611**	7,480
Liabilities			
Distributions Payable		**48**	74
Payables		**22**	49
Total liabilities (excluding net assets attributable to unitholders)		**70**	123
Net assets attributable to unitholders - liability	4	**7,541**	7,357

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June 2017 $'000	30 June 2016 $'000
Total net assets attributable to unitholders at the beginning of the year	**7,357**	9,232
Net profit attributable to unitholders	**215**	152
Distributions to unitholders	**(72)**	(127)
Application for units	**2,508**	460
Redemption of units	**(2,467)**	(2,360)
Total net assets attributable to unitholders at the end of the year	**7,541**	7,357

Statement of cash flows - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through Profit or loss	**1,522**	2,153
Purchase of financial instruments held at fair value through profit or loss	**(1,975)**	-
Dividends received	**287**	281
Interest received	**1**	1
Other revenue received	**2**	-
Management fees	**(77)**	(83)
Custodian fees	**(68)**	(68)
Payment of other expenses	**(14)**	(4)
Net cash inflow from operating activities	**(322)**	2,280
Cash flows from financing activities		
Receipts from issue of units	**2,508**	460
Payments for redemption of units	**(2,464)**	(2,360)
Distributions paid	**(124)**	(112)
Net cash outflows from financing activities	**(80)**	(2,012)
Net increase/(decrease) in cash and cash equivalents	**(402)**	268
Cash and cash equivalents at the beginning of the year	**427**	159
Cash and cash equivalents at the end of the year	**25**	427

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 2016 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 manages 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 2017 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 2017 $'000	30 June 2016 $'000
Client funds	**7,541**	7,357
Net assets attributable to unitholders - liability	**7,541**	7,357

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.

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**25**	427
Receivables	**97**	137
Financial assets at fair value through profit or loss	**7,489**	6,916
	7,611	7,480
Financial liabilities		
Trade and other payables	**70**	123

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	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities due for payment						
Trade and other payables	(70)	(123)	-	-	(70)	(123)
Total expected outflows	(70)	(123)	-	-	(70)	(123)
Financial assets – cash flow realisable						
Cash and cash equivalents	25	427	-	-	25	427
Receivables	97	137	-	-	97	137
Financial assets at fair value	7,489	6,916	-	-	7,489	6,916
Total anticipated inflows	7,611	7,480	-	-	7,611	7,480
Net inflow on financial instruments	7,541	7,357	-	-	7,541	7,357

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
2017				
Financial assets				
Investments in unlisted managed funds	**-**	**7,489**	**-**	**7,489**
2016				
Financial assets				
Investments in unlisted managed funds	-	6,916	-	6,916

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 2017

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 2017 is as follows;

Performance after Fees to 30 June 2017	
1 Month	-0.83%
3 Months	0.68%
6 Months	3.42%
1 year	7.38%
2 years	5.39%
3 years	6.47%
5 years	9.33%

The information provided in this annual report is unaudited.

Statement of comprehensive income - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Investment revenue		
Dividend/distribution Income	**3,405**	3,759
Interest income	**4**	11
Net gains/losses on financial instruments held at fair value through profit or loss	**2,719**	(522)
Total investment revenue	**6,128**	3,248
Expenses		
Management fees charged by Public Trustee	**728**	708
Custody fees	**68**	69
Other expenses	**66**	64
Total operating expenses	**862**	841
Net profit attributable to account holders	**5,266**	2,407
Distributions to account holders	**(2,718)**	(2,382)
Change in net assets attributable to unitholders	**(2,548)**	(25)
Amount retained but not distributed	**-**	-

Statement of financial position - unaudited

	Notes	As at 30 June 2017 $'000	30 June 2016 $'000
Assets			
Cash and cash equivalents		**229**	1,041
Receivables		**1,650**	2,027
Financial assets at fair value through profit or loss		**72,869**	71,062
Total assets		**74,748**	74,130
Liabilities			
Distributions Payable		**1,803**	1,396
Payables		**122**	119
Total liabilities (excluding net assets attributable to unitholders)		**1,925**	1,515
Net assets attributable to unitholders - liability	4	**72,823**	72,615

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Total net assets attributable to unitholders at the beginning of the year	**72,615**	72,601
Net profit attributable to unitholders	**5,265**	2,407
Distributions to unitholders	**(2,718)**	(2,382)
Application for units	**4,611**	7,869
Redemption of units	**(6,950)**	(7,880)
Total net assets attributable to unitholders at the end of the year	**72,823**	72,615

Statement of cash flows - unaudited

	Year ended 30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through Profit or loss	**2,812**	4,754
Purchase of financial instruments held at fair value through profit or loss	**(1,900)**	(4,900)
Dividends received	**3,765**	3,042
Interest received	**4**	10
Management fees	**(728)**	(709)
Custodian fees	**(68)**	(68)
Payment of other expenses	**(50)**	(63)
Net cash inflow from operating activities	**3,835**	2,066
Cash flows from financing activities		
Receipts from issue of units	**4,611**	7,869
Payments for redemption of units	**(6,950)**	(7,880)
Distributions paid	**(2,308)**	(1,881)
Net cash outflow from financing activities	**(4.647)**	(1,892)
Net increase/(decrease) in cash and cash equivalents	**(812)**	174
Cash and cash equivalents at the beginning of the year	**1,041**	867
Cash and cash equivalents at the end of the year	**229**	1,041

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 2016 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 manages 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 2017 $'000	30 June 2016 $'000
	Client funds	**72,823**	72,615
	Net assets attributable to unitholders - liability	**72,823**	72,615

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.

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**229**	1,041
Receivables	**1,650**	2,027
Financial assets at fair value through profit or loss	**72,869**	71,062
	74,748	74,130
Financial liabilities		
Trade and other payables	**1,925**	1,515

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	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities due for payment						
Trade and other payables	(1,925)	(1,515)	-	-	(1,925)	(1,515)
Total expected outflows	(1,925)	(1,515)	-	-	(1,925)	(1,515)
Financial assets – cash flow realisable						
Cash and cash equivalents	229	1,041	-	-	229	1,041
Receivables	1,650	2,027	-	-	1,650	2,027
Financial assets at fair value	72,869	71,062	-	-	72,869	71,062
Total anticipated inflows	74,748	74,130	-	-	74,748	74,130
Net inflow on financial instruments	72,823	72,615	-	-	72,823	72,615

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 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
2017				
Financial assets				
Investments in unlisted managed funds	-	72,869	-	72,869
2016				
Financial assets				
Investments in unlisted managed funds	-	71,062	-	71,062

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.