

Annual Report 2020/2021

6 October 2021

The Hon Elise Archer MP
Minister for Justice
Level 10
Executive Building
15 Murray Street
HOBART TAS 7000

The Hon Peter Gutwein MP
Treasurer
Level 9
Executive Building
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 2021.

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



Glenn Lucas
Acting Chief Executive Officer
Public Trustee

Cc: The Auditor-General

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, enduring powers of attorney and enduring guardianships;
- 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. Joint Chairperson and Acting CEO Report

It is our pleasure to present the Annual Report for the year ended 30 June 2021.

Introduction

This year the Public Trustee has been presented with several challenges, including the effects and restrictions imposed by the response to the Covid pandemic and, more specifically, a degree of adverse publicity in the media. In response the Attorney-General and Minister for Justice announced and implemented an independent review into the administrative and operational practices of the Public Trustee.

Notwithstanding the above, the Public Trustee has continued to meet its objectives and obligations arising from its statutory duties, agreements with government and clients and fulfilling its vision and purpose.

The points of focus and attention for this year include the following:

- Review of Public Trustee
- Community Service Obligation agreement
- Beneficiary survey
- Complaints
- Strategy
- Workplace, health and safety
- Business development
- Governance
- Funds Management; and
- Performance.

Review of Public Trustee

On 10 June 2021, the Attorney General and the Minister for Justice announced that the Tasmanian Government conduct an independent review into the administrative and operational practices of the Public Trustee.

The terms of reference for the review includes consideration of the impact and implementation of recommendations from the Tasmanian Law Reform Institute's review of the *Guardianship and Administration Act 1995*.

The Public Trustee believes that a detailed regulatory impact assessment of any changes to the *Guardianship and Administration Act 1995* be conducted before legislative changes are implemented.

Community service obligation agreement

The Public Trustee and the Tasmanian Government have entered into an agreement detailing the terms by which the Public Trustee will fulfil Community Service Obligations (CSO) on behalf of the Government.

The Public Trustee and the Tasmanian Government entered into a CSO Agreement for three years, from 1 July 2017 to 30 June 2020. The CSO Agreement has been extended for two years to 30 June 2022.

The CSO Agreement requires the Government to pay the Public Trustee's costs of administering defined estates, trusts and people's affairs.

On 30 June 2021, the Public Trustee was acting as administrator by order of the Guardianship and Administration Board to manage the financial affairs of 908 people that are CSO. This number of appointments represents an increase of 19 compared to 30 June 2020.

Beneficiary survey

During the last 12 months, the Public Trustee surveyed the beneficiaries of deceased estates administered by the Public Trustee to gain an insight and understand their experience with the Public Trustee and level of satisfaction with the services it provided.

Of the total of 528 people surveyed, 11% responded. The responses pointed to a high level of satisfaction to the extent that 90% of respondents indicated that the Public Trustee provided efficient and accurate administration service.

Complaints

Public Trustee supports the implementation of an effective complaint handling process to ensure that complaints received by the organisation are managed in an accountable, transparent, timely and meaningful way and complainants are treated with respect throughout the complaints process. Public Trustee considers complaints as opportunities to identify areas requiring improvement.

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

An effective and efficient complaints handling process reflects the needs of both the Public Trustee in providing its services and delivering those services to its clients.

A summary of complaints from 1 July 2020 to 30 June 2021:

Complaints	Commercial	CSO	Unsubstantiated	Substantiated
Personal Services	3	11	13	1
Estates	11	1	11	1
Trusts	1	-	1	-
Legal	-	1	1	-
Total	15	13	26	2

The two substantiated complaints were determined to be isolated. In each instance the complainants were communicated with, an apology provided, and the issues resolved to the complainant's satisfaction.

Staff are counselled on each occasion issues are raised and actions are taken to improve service delivery.

Strategy

Current

The organisation progressed strategic actions central to these strategic themes:

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

Proposed

The Board and Senior Leadership Group attended a high-level strategic planning workshop in April 2021. The workshop assisted in framing key strategic themes for inclusion in the 2022 Corporate Plan.

Three key strategic themes were identified as follows:

- Continuation of the Cultural Development Program commenced in 2019 and paused in 2020 due to the global pandemic.
- In conjunction with the Cultural Development Program, the development of a client-centric service delivery model across all of the organisation's service lines.
- a review of product offerings, in particular estate planning, and a possible alternative to the capital commission fee structure for deceased estates.

In addition to these objectives, the Public Trustee has recently reinvigorated its stakeholder engagement process to enhance client-centric service delivery.

In line with its improvement and innovation strategy, the Public Trustee is seeking to enhance its culture whereby the organisation recognises and embraces a more positive and constructive outlook on the vital role of the tasks they undertake for individuals and the community.

Factors bearing on the future direction of the Public Trustee include the appointment of a new CEO following the retirement of David Benbow in August 2021 and the outcome of the review commissioned by the Tasmanian Government.

The Public Trustee has developed a "Culture Roadmap" to guide members of the organisation and maintain engagement during change.

In line with its strategies and to enhance service delivery, the Public Trustee opened a new office in Devonport in April 2021. The new office provides staff with a modern workspace and enhances client service delivery with prominent street frontage access to our services.

Workplace, health and safety

COVID-19

In April 2020, most staff were required to work from home due to the restrictions arising from the COVID 19 pandemic. In September 2020, many of these people transitioned back into the organisation's offices. Staff completed the transition back into the office in March 2021.

Work Health and Safety (WHS)

The Public Trustee is committed to ensuring that no one employed or engaged by the organisation will suffer a preventable injury and illness in the workplace. At all times, the Public Trustee manages the risk of injury and illness, ensuring all identifiable risks are understood and integrated into our work health and safety plans.

During 2020-2021 our commitment to protecting our staff continued with the periodic review and updating of our WHS Risk Register and Annual Action Plan. In addition, the WHS Group (Consultative) Committee continued to meet, providing the opportunity for all staff to consult with members on WHS issues, and WHS remained a regular agenda item for all Team Meetings, the Senior Leadership Group, Board and Audit Committee.

Ergonomic workstation assessments continued to be included in the employee induction process and on-demand by existing employees. In addition, the Public Trustee conducted hazard inspections and workstation safety reviews per requirements.

Reporting of all incidents, accidents, and hazards is embedded into the Public Trustee's Client Management System, which provides monitoring, analysis, and reporting.

Employee Wellbeing

The Public Trustee adopts a proactive approach to employee wellbeing.

The Public Trustee provided the following programs and initiatives during 2020-2021 to support positive health outcomes for employees:

- Flexible working practices
- Employee Assistance Program offering confidential counselling support
- Provision of sit/stand desks
- Annual influenza vaccinations
- Workplace massage
- Access to Ritualize the Healthy Tasmanian Workplaces app
- Locker and shower facilities available; and
- Red 25 – Red Cross blood donation program.

Workplace Diversity

The Public Trustee's Workplace Diversity Policy and Management Plan outlines our commitment to recognising and utilising diversity in the workplace and the community we serve. Employees are reminded of our commitment at induction to the organisation, during bi-annual training and routine reminders at team meetings.

The organisation's human resource management policies and practices provide fair and equitable access to employment, promotion and personal development.

Business development

The Public Trustee continues to provide all Tasmanians with access to affordable, professional Will and estate planning services.

Estate planning clients can make appointments with our staff face-to-face in one of our three branch offices, over the phone or on-line.

To promote our services in regional Tasmania, the Public Trustee have launched the 'We're here for you, just give us a call' campaign.

The Public Trustee launched a Pet Legacy Campaign promoting consideration of pets in Wills and estate planning.

The Public Trustee partnered with other organisations to provide estate planning advice via a series of online webinars.

During Seniors week, the Public Trustee again partnered with Advocacy Tasmania to provide expert advice on Enduring Powers of Attorney. During October 2020, the Public Trustee also ran the 'A special offer to celebrate our seniors' campaign offering discount estate planning services for seniors.

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

	2020/21	2019/20
New Wills	282	321
Revision Wills	362	419
Non-executor Wills	307	157
Non-executor revised Wills	43	16
Seminars and presentations held	10	16
Seminar and presentation attendees	203	304
Information video views (via YouTube)	942	1,163

Governance

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 and Director performance is undertaken annually.

Ms Therese Taylor was appointed a Director on 20 October 2020 following the retirement of Ms Liz Gillam.

Mr Michael Dontschuk was re-appointed a Director on 6 July 2020.

There are three (3) Directors whose current appointments are due to expire in 2022.

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.

The requirement to consider investment risk is managed by the Public Trustee collectively, investing client and trust funds into one of two 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 investment fund invests in a varying mix of asset classes increasing the level of investment risk but also having an expectation of higher investment returns over longer periods.

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

Performance

Financial Year Result

The organisation achieved a profit after tax of \$218,631 for the financial year ended 30 June 2021 compared with a profit last year of \$809,571.

Total comprehensive income for the year ended 30 June 2021 amounted to \$2,177,159 compared to a comprehensive loss of \$31,935 for the financial year ended 30 June 2020.

Factors contributing to the total comprehensive loss were:

- total revenue from activities was 4.3% lower than last year
- of total revenue, fees and commission was 4% higher than last year and Community Service Obligation funding increased by 2.3%
- total expenses from ordinary activities increased by 1.5% during the year. Employee benefits expenses increased by 2% on the prior year
- dividend distributions on the Public Trustee's investment of its corporate funds was \$499,737, down from \$1,163,407 in 2020
- corporate investments increased by \$2,149,281 in value (before tax) compared with a decrease of \$1,356,344 last year; and
- the annual re-measurement of the organisation's defined benefit liability resulted in income of \$566,119 (before tax) compared to \$195,646 in 2020.

Remuneration report

The remuneration of key management personnel is set in Note 8 to the Public Trustee's financial statements for the year ended 30 June 2021.

The Public Trustee has complied with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration* for the year ended 30 June 2021.

Dividend to Government

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 dividend recommended by the Board to be paid to Government for the financial year ended 30 June 2021 is nil. This dividend represents 90% of the Public Trustee's operating profit after tax for the year ended 30 June 2021 less the Community Service Obligation funding gap.

The Government has historically 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.

Change in CEO

Retirement of David Benbow

David Benbow retired as CEO on 12 August 2021. Some highlights of David's time at the Public Trustee include:

- Negotiating with Treasury to reposition Represented Persons (RP) fees and charges in 2015. This resulted in RP fees being reduced by \$500,000 per annum.
- Refurbishment of the Hobart office to provide a more contemporary workspace for both clients and our staff. This was an important step in changing culture at the Public Trustee.
- Consistent with Hobart office, our Northern staff have new, contemporary offices to work from in Launceston and Devonport.
- The development of the Client Management System has enabled greater control for managers over client outcomes and has allowed files to be moved between Client Account Managers with greater efficiency. The ability to respond to client enquiries has been significantly enhanced.
- The development of the organisation's Risk and Compliance framework has allowed us to develop a culture of compliance with policy and procedures. Which in turn assists us to learn and perform effectively for our clients.

On behalf of the Public Trustee's Board and Management we thank David for his service to the Public Trustee and wish him well for the future.

Change of Head of Agency from the Chairperson to the CEO

Orders have been made to amend the *State Service Act 2000* so that the Head of Agency is the Chief Executive Officer. This change will align the Public Trustee with other Government Business Enterprises. The change will be effective once gazetted, which will occur when the new CEO is appointed.

The process to appoint a new CEO is in progress at the time of writing this report. Glenn Lucas has been appointed Acting CEO for six months or until a new CEO is appointed, whichever is the sooner.

Conclusion

A significant amount of adverse public comment towards the end of the year has presented us with further challenges. From these challenges we have identified opportunities for the Public Trustee to take our client service to another level. The themes arising include public education about trustee services, communication, and consultation.

The combination of the independent review, change in CEO and public comment is having an impact on Public Trustee staff. The Public Trustee has implemented a Culture Roadmap to support its staff through this time, to keep engagement with staff occurring, and to continue the momentum in terms of cultural change.

We extend our thanks to the resilience of our staff. The ability of our staff to continue providing quality client service is a testament to their professionalism.

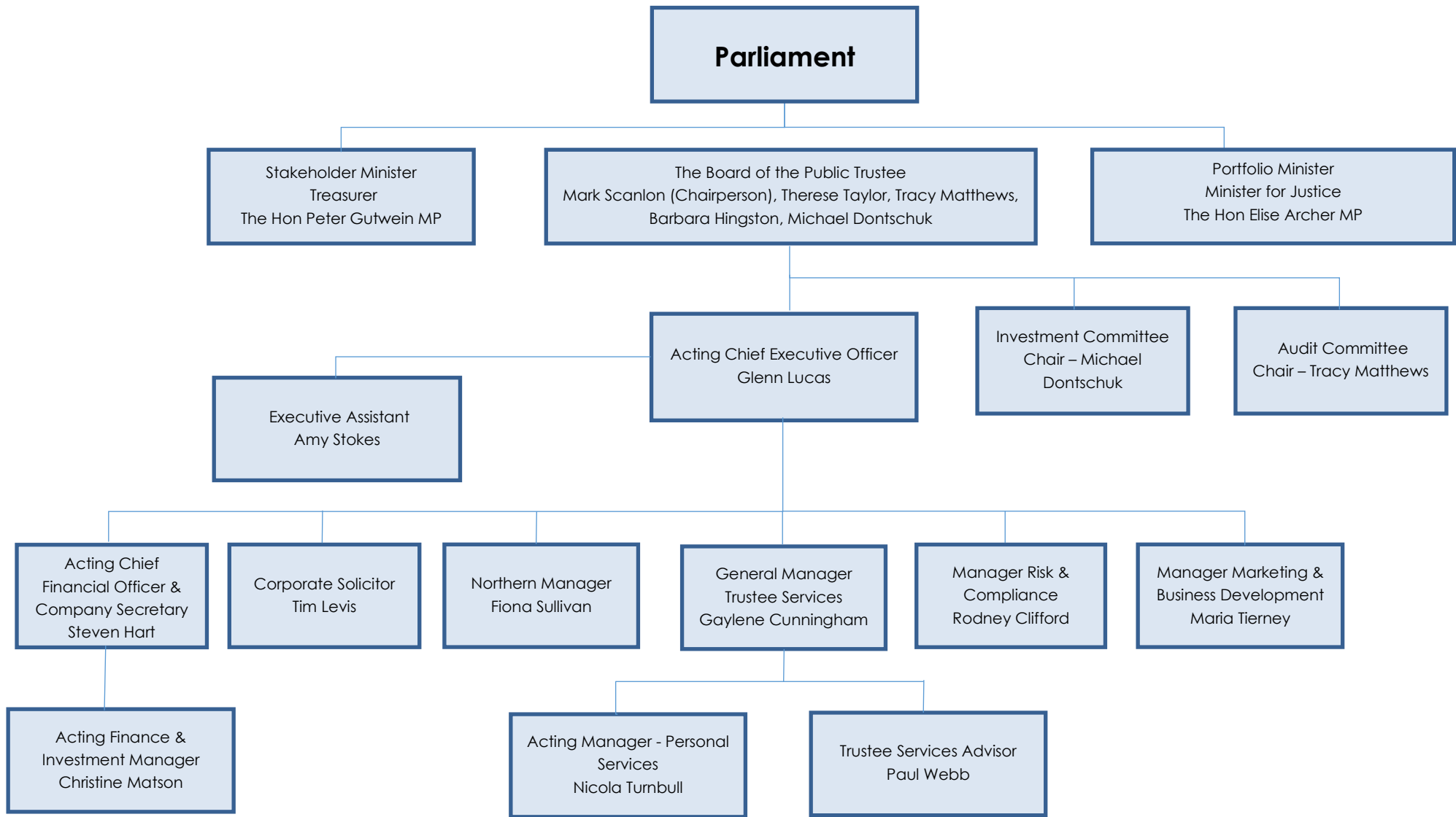


Mark Scanlon
Chairperson



Glenn Lucas
Acting Chief Executive Officer

6. Structure of the Public Trustee



7. 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 Minister for Justice 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 Executive Council on the recommendation of the Board. Directors are selected on the basis of their complementary skills and ability to add value to the Board.

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 and Non-Executive Director
Member of Investment Committee
Member of Audit Committee
Original appointment: 10 October 2016
Current term: 18 November 2019 to 18 November 2022

Mark is Independent Chairman of the Launceston City Council and Flinders Council Audit Panels.

Other positions held previously include Chairman of the Credit and Investments Ombudsman Service Limited, Governing Council member – Tasmanian Health Service (THS) and Chairman of the THS Audit and Risk Committee, 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.

Barbara Hingston AM. BA.BSW.MAASW GAICD
Non-Executive Director
Member Audit Committee
Original appointment: 25 January 2016
Current term: 29 July 2019 to 28 July 2022

Barbara brings her executive and governance experience in government and not for profit organisations to the Board of the Public Trustee. This experience includes as Chair and non - executive Director of complex health; mental health; disability services and services of agencies engaged in prevention crisis response and recovery from violence against women and children. She consults to government and community agencies in customer / stakeholder engagement, culture and strategy; executive leadership and risk and quality management. Barbara also provides practice support and development to practitioners who facilitate continuity of learning for children impacted by family violence.

Barbara has worked nationally, state-wide and at the community level in Tasmania, Victoria, the ACT and Queensland. In 2018 she was appointed to the Board of Scope (Aust) Ltd - a large, disability services provider of supported independent living and therapeutic services throughout metropolitan and regional Victoria, She Chairs the SCOPE Audit and Risk Committee and is a member of its Business Development Committee.

Barbara is a member of the Public Trustee Board Audit Committee and previous member of its Investment Committee from 2016 - 2020. Her prior governance roles in Tasmania include as Director of the Tasmanian Health Service Governing Council 2015 - 2018 and Member of Tasmanian Minister's Disability Advisory Committee from 2014 - 18. She has substantial experience in the governance of public health and hospital services as a former Non-executive Director of Dental Health Services Victoria, Austin Metropolitan Health Service Victoria and of Headspace – the National Youth Mental Health Foundation Ltd.

Liz Gillam LLB

Non-Executive Director

Member of the Audit Committee

Original appointment: 1 December 2013

Completed term: 6 March 2017 to 5 September 2020

Graduate 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. Liz is a member of the Hobart Women's Shelter Board. She was formerly Chair of the Tasmanian Electoral Commission for 10 Years and a member of the Board of the Integrity Commission for 8 years.

Tracy Matthews BCom FCA FAICD

Non-Executive Director

Chair of the Audit Committee

Original appointment: 25 January 2016

Current term: 29 July 2019 to 28 July 2022

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, Independent Chair of the Housing Connect Consortium and Immediate Past Commodore of the Royal Yacht Club of Tasmania.

Michael Dontschuk BSc (Hons), FFTP, GAICD
Non-Executive Director
Chair of the Investment Committee
Original appointment: 4 July 2017
Current term: 6 July 2020 to 6 July 2023

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

He currently is a professional non-executive director and sits on a number of company boards including Grange Resources Limited, 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, Manager at Bankers Trust, Motor Accidents Insurance Board (Tasmania) and has worked extensively in corporate financial advisory and investment banking.

Therese Taylor BCom (Journalism), BA, Dip.Ed, GradDip Administration, GAICD.
Non-Executive Director
Member of the Investment Committee
Original appointment: 20 October 2020
Current term: 20 October 2020 to 20 October 2023

Therese brings extensive governance and executive leadership experience to the Board developed through a diverse career working across social and economic portfolios. She has held leadership roles in government, business and not for profit sector.

She brings core skills of governance, shaping strategy, advocacy, stakeholder engagement and management, partnership development, fundraising and philanthropy. Therese has built extensive networks across the public and private sectors.

In addition to her current consultancy work, Therese holds directorships on the Board of The Royal Tasmanian Botanical Gardens, The Royal Hobart Hospital Research Foundation and Contemporary Arts Tasmania.

CEO Performance Review

The performance of the CEO is reviewed annually against a performance management plan. 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 2021 and the number of meetings attended by each Director is as follows:

	Board Meetings (1)		Audit Committee (1)		Investment (1) Committee	
	Number Held	Number attended	Number held	Number attended	Number held	Number attended
Mark Scanlon	11	11	4	4	5	5
Barbara Hingston	11	11	2	2 *1	3	3 *2
Tracy Matthews	11	11	4	4	N/A	*5
Michael Dontschuk	11	11	N/A	*3	5	5
Therese Taylor	8	8	N/A	*3	2	2 *1
Liz Gillam	2	2	-	-	-	-

(1) Number eligible to attend

* Attended by invitation

Disclosure requirements

Directors have the right to seek independent professional advice in relation to matters pertaining to the Public Trustee and their role as 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.

8. Statement of Corporate Intent

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

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

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

Strategic Direction

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

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

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

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

- Growing the business by attracting new clients via development of new products, identifying appropriate segments of the market, developing partnerships with businesses and organisations suitable to an identified market
- Continuous improvement and innovation by transforming the efficiency of the business by implementing contemporary business systems and practices; and

- Being a sustainable business by managing for improved profit over time through continual improvement in:
 - Resources
 - Systems; and
 - Client service delivery.

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.

9. Key Performance Indicators

The Performance Agreement regarding the key financial and non-financial targets for 2021-22, and estimates for the following three years is detailed in the tables below.

Financial Returns to Government

	Target 2021-22	Estimates		
		2022-23	2023-24	2024-25
Dividends Paid (\$ '000)	-	-	-	-
Tax Equivalents Paid/(Refund) (\$ '000)	(34)	38	33	24
Total	(34)	38	33	24

Financial Targets

	Target 2021-22	Estimates		
		2022-23	2023-24	2024-25
Operating Expenditure (\$'000)	9,176	9,152	9,406	9,682
Operating Profit/(Loss) After Tax (\$'000)	(266)	(117)	(128)	(151)
Total Comprehensive Income (\$'000)	(90)	99	88	65
Capital Expenditure (\$ '000)	425	100	100	100
Operating Margin	0.94	0.98	0.98	0.98
Return on Assets (%)	-1.4%	-0.6%	-0.7%	-0.8%
Return on Equity (%)	-0.9%	-0.9%	-0.8%	0.6%
Capital Adequacy (%)	29.3%	30.2%	31.1%	31.6%

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 2021-22	Estimates		
		2022-23	2023-24	2024-25
Number of total new wills written	1,800	2,000	2,000	2,000
Beneficiary survey results (overall satisfaction rating)	90%	95%	95%	95%
Will client survey results (overall satisfaction rating)	100%	100%	100%	100%

Community Service Obligations

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

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

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

The Public Trustee has entered into a Community Service Obligation Agreement for three years effective from 1 July 2017 to 30 June 2020. A deed of variation and extension has been agreed with Treasury for a further 12 months to 30 June 2022. A summary of the maximum funding amounts set out in the new agreement is set out as follows:

CSO Funding	Target 2021-22	Estimates		
		2022-23	2023-24	2024-25
Community Service Obligations (\$ '000)	2,212	2,265	2,316	2,367

10. Performance against Statement of Corporate Intent

The Statement of Corporate Intent sets out the key financial and non-financial targets for 2020-21. The actual performance against these targets is shown below.

Financial Returns to Government

	Target 2020-21	Actual 2020-21
Dividends Paid (\$ '000)	-	108
Tax Equivalents Paid / (Refund) (\$ '000)	10	260
Total	10	368

Financial Targets

	Target 2020-21	Actual 2020-21
Operating Expenditure (\$ '000)	8,823	8,430
Operating Profit After Tax (\$'000)	(100)	219
Total Comprehensive Income / (Loss) (\$000)	51	2,177
Capital Expenditure (\$ '000)	460	295
Operating Margin	0.98	1.06
Return on Assets (%)	-0.5%	8.1%
Return on Equity (%)	0.9%	19.8%
Capital Adequacy (%)	25.8%	34.0%

Non-Financial Targets

	Target	Actual
	2020-21	2020-21
Number of new Wills written	592	282
Number of revised Wills written	702	362
Number of non-executor Wills written / re-written	206	350
Total wills written	1,500	994
Beneficiary survey results (%)	90%	90%
Will client survey results (%)	100%	100%

Capital Structure

The Public Trustee has no corporate borrowings. The equity of the Public Trustee is wholly represented by retained earnings and a fair value reserve.

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 2021 the Public Trustee employed 53.09 staff on a full time equivalent basis.

11. Community Service Obligation

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 2021, matters classified as Community Service Obligations accounted for 58% (2020: 57%) of the matters administered by the Public Trustee. The net avoidable cost to meet these obligations for the 2021 financial year was \$3,494,759 (2020: \$3,372,787).

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 2021 financial year was \$2,163,000 (2020: \$2,115,000).

Community Service Obligation Performance

The Community Service Obligation (CSO) agreement with the Crown no longer requires the Public Trustee to report on specified performance indicators. Despite this the Public Trustee continues to monitor a set of key performance indicators related to the delivery of CSO, as set out below.

1 Policy and procedures

Performance indicator: The Public Trustee ensures that its internal policies and procedures comply with all duties and obligations and that staff are operating accordingly. This is assessable through the Public Trustee's regular compliance reviews.

Performance: A summary of compliance activity on CSO clients for the year ended 30 June 2021 is as follows:

	Number of files reviewed by compliance	Files with items of non-compliance raised
July 2020 – June 2021	35	3 – Note 1

Note 1: The files with items of non-compliance identified issues with budget preparation.

A wholistic approach to preparing budgets, including consultation with the represented person's support network to confirm financial needs and identification of other financial entitlements was identified and implemented.

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. In August 2020 some benchmarks and terminology were updated to reflect current work practices within Trustee Services area.

Performance:

Trusts

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	100
Initial management plan: * determination of client needs	85	100
Annual client contact	95	100
Client contact – Maturing trust	90	100

Estates

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	100
Deceased estate procedures fully explained	85	100
Grant of administration	90	100
Completion of absolute deceased estates – Note 2	80	45

Note 2: The volume of deceased represented person estates we have managed is the major contributor to under-performance of completing absolute deceased estates with the benchmark service standard. The following challenges had an adverse impact:

- If a client dies without a Will (which is the majority of represented person clients), the Public Trustee is required to wait three (3) months from the date of death before an estate administration can commence (Section 18 of the *Public Trustee Act 1930*).
- Public Trustee can commence an estate administration inside of three (3) months provided we receive written instructions to do so from a person recognised as a Senior Next of Kin. Finding Senior Next of Kin presents another problem as for many represented person clients, family history is unknown.
- The process of finding Next of Kin beneficiaries can be time consuming.

It is acknowledged that resource issues also contributed to achieving the benchmark service standard. The resource issues have been rectified.

Represented persons

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	100
Initial management plan: * determination of client needs	85	100
Preparation of Annual Statement and Report	95	95
Preparation of Order Review Report	95	96
Client/Support contact	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 employees and existing employees returning from prolonged absences such as periods of maternity leave or secondment.

Performance: During the reporting period, five Trustee Services staff were appointed and have undertaken a specific Client Account Manager (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 and procedure in relation to complaint handling which includes timeframes for resolving complaints.

Performance:

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

Category of CSO client	Number of complaints	Substantiated	Not Substantiated
Absolute estates, continuing trusts & life tenancies	1	-	1
Represented persons	11	-	11
Trusts	1	1	-
Total	13	1	12

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.

Projects progressed during the year ended 30 June 2021 included:

- Continuous improvement to TACT (our key trustee services operating system) and the Client Management System (CMS)
- Implementation of a Digital Mailroom; and
- Personal Services Team service delivery review.

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 and CMS continuous improvements

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

Further enhancements have been made to the CMS to improve end user experience that will enhance the capability of Public Trustee staff to manage clients.

Digital Mailroom

The management of mail and digital record creation has been identified as a time consuming and a staff intensive process. Automation of record digitisation and achievement of straight through processing of invoices will achieve productivity and improved management of client affairs.

Implementation of the software application solution is in progress.

Personal Services Team service delivery review

This project is to review all aspects of service delivery and administration of Represented Person clients with a view to delivering operating efficiencies and improved service delivery outcomes for these clients.

The review of service delivery in Personal Services Team has progressed during the year. The following initiatives have been implemented:

- First call resolution including the introduction of a dedicated direct phone number
- Introduction of generic email for enquires

- Streamlining of “onboarding” processes including the introduction of a “welcome pack”
- Enhancements to team structure, including creation of new roles; and
- Modification to the CMS to assist management of pensions reviews, GAB reporting and property management.

12. Financial Statements



ABN 11 223 649 773

Financial Statements 30 June 2021

Auditor's Independence Declaration



Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

27 September 2021

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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

A handwritten signature in black ink, appearing to read "D Bond", written over a faint, illegible stamp.

David Bond
Assistant Auditor-General – Financial Audit Services
Delegate of the Auditor-General

Statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Continuing operations			
Revenue	4	8,459	8,170
Other income	5	504	1,191
Total revenue		8,963	9,361
Administrative expenses		(1,709)	(1,695)
Depreciation expense		(616)	(618)
Interest expense		(46)	(47)
Employee benefits expense	6	(5,475)	(5,361)
Finance expense	6	(395)	(415)
Occupancy expenses		(189)	(166)
Total expenses		(8,430)	(8,302)
Profit before income tax equivalent		533	1,059
Income tax equivalent expense	7a	(314)	(249)
Profit for the year		219	810
Other comprehensive income / (loss)			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	18	566	196
Related tax	7c	(198)	(54)
		368	142
Items that are or may be reclassified to profit or loss:			
Fair value movement in investments in managed funds		2,149	(1,356)
Related tax	7c	(559)	373
		1,590	(983)
Other comprehensive loss, net of tax		1,958	(841)
Total comprehensive income / (loss)		2,177	(31)

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	2,507	4,847
Trade and other receivables	12	758	1,397
Prepayments		87	54
Total current assets		3,352	6,298
Non-current assets			
Other financial assets	13	18,127	12,555
Deferred tax assets	16	2,785	3,628
Plant and equipment	14	1,180	1,178
Right of use assets	20	1,498	1,447
Total non-current assets		23,590	18,808
Total assets		26,942	25,106
Liabilities			
Current liabilities			
Trade and other payables	15	678	543
Current tax liabilities		215	249
Lease liabilities	20	349	284
Provisions	17	1,391	1,269
Total current liabilities		2,633	2,345
Non-current liabilities			
Provisions	17	12,082	12,625
Lease liabilities	20	1,226	1,204
Total non-current liabilities		13,308	13,829
Total liabilities		15,941	16,174
Net assets		11,001	8,932
Equity			
Retained earnings		8,788	8,309
Reserves	19	2,213	623
Total equity		11,001	8,932

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2021

	Note	Fair value reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019		1,606	7,393	8,999
Total comprehensive income				
Profit		-	810	810
Other comprehensive income		(983)	142	(841)
Total comprehensive income		(983)	952	(31)
Transactions with owners of the Entity				
Dividends	10	-	(36)	(36)
Total transactions		-	(36)	(36)
Balance at 30 June 2020		623	8,309	8,932
Balance at 1 July 2020		623	8,309	8,932
Total comprehensive income / (loss)				
Profit		-	219	219
Other comprehensive income / (loss)		1,590	368	1,958
Total comprehensive income / (loss)		1,590	587	2,177
Transactions with owners of the Entity				
Dividends	10	-	(108)	(108)
Total transactions		-	(108)	(108)
Balance at 30 June 2021		2,213	8,788	11,001

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows used in operating activities			
Receipts from clients		8,940	8,266
Payments to suppliers and employees		(7,917)	(7,813)
Interest received		1	31
Rent Income		4	-
Income tax equivalent paid		(260)	(122)
Net cash provided by operating activities	21	<u>768</u>	<u>362</u>
Cash flows from investing activities			
Investments – placed		(3,430)	-
Distributions from financial assets		1,067	847
Purchase of plant and equipment		(295)	(187)
Net cash provided by investing activities		<u>(2,658)</u>	<u>660</u>
Cash flows used in financing activities			
Lease payments		(296)	(281)
Interest Payments		(46)	(47)
Dividends paid		(108)	(36)
Net cash used in financing activities		<u>(450)</u>	<u>(364)</u>
Net (decrease)/ increase in cash held		(2,340)	658
Cash and cash equivalents at the beginning of year	11	<u>4,847</u>	4,189
Cash and cash equivalents at the end of year	11	<u><u>2,507</u></u>	<u><u>4,847</u></u>

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2021

Note 1. Reporting entity

The Public Trustee ("the entity") is a Tasmanian Government Business Enterprise operating since 1853 offering professional, independent trustee services to the Tasmanian community. 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.

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 24 September 2021. 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 there were no significant impaired assets 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.
- (v) **AASB 15 contracts with customers**
At the end of the reporting period, the Entity estimates the amount of capital commission earned from estate administrations and makes allowance for income earned but not yet received and income that has been taken in advance. Refer Note 30 (i) for further information.

Notes to the financial statements

for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 4. Revenue		
Fees and commissions	6,202	5,859
Commissions from contracts with customers – estate administration	94	196
Funding of community service obligations	2,163	2,115
	<u>8,459</u>	<u>8,170</u>

Contracts with Customers – capital commission still to be earned on open estate administrations as at the reporting date totalled \$187,000. This amount is based on an estimate of the probate value of the estate and the stage of completion of the administration. An estate administration is usually completed within 12 months of the administration date.

Note 5. Other income

Dividends received or receivable from other persons	500	1,163
Rental income	4	-
Interest received from other persons	-	28
	<u>504</u>	<u>1,191</u>

Note 6. Net profit for the year

Profit before income tax includes the following specific expenses:

Expenses

Employee benefits expense		
- wages and salaries	4,585	4,383
- defined benefits superannuation service cost (note 18)	110	115
- long service leave	80	129
- recreation leave	16	112
- superannuation	406	382
- payroll tax	221	206
- other associated personnel expenses	57	34
	<u>5,475</u>	<u>5,361</u>
Finance expense		
- defined benefits superannuation interest cost (note 18)	395	415

Notes to the financial statements

for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 7. Tax equivalent expense		
a. The components of income tax equivalent expense comprise:		
Current tax	230	239
Deferred tax	84	10
	<u>314</u>	<u>249</u>
b. The prima facie income tax equivalent on profit before income tax is reconciled to income tax equivalent as follows:		
Prima facie tax payable on profit before income tax at 26% (2020: 27.5%)		
- Entity	139	291
- Impact of tax rate changes in deferred taxes	198	-
- Entertainment	-	2
- Under / (over) provision for income tax in prior years	-	(2)
Less tax effect of:		
- available franking credits	(16)	(38)
- foreign tax offset	(7)	(4)
Income tax attributable to entity	<u>314</u>	<u>249</u>
c. Tax effects relating to each component of other comprehensive income:		
<i>Remeasurement of defined benefit liability</i>		
Before tax amount	566	196
Income tax equivalent expense	(198)	(54)
Net-of-tax amount	<u>368</u>	<u>142</u>
<i>Fair value movement in investments in managed funds</i>		
Before tax amount	2,149	(1,356)
Income tax equivalent (expense) / benefit	(559)	373
Net-of-tax amount	<u>1,590</u>	<u>(983)</u>

Notes to the financial statements

for the year ended 30 June 2021

Note 8. Key management personnel compensation

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

	Director Remuneration		Senior Management Remuneration		Consolidated	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	170	175	799	844	969	1,019
Post-employment benefits	16	16	80	83	96	99
Other long-term employee benefits	-	-	22	32	22	32
	186	191	901	959	1,087	1,150

For Director remuneration, Short term employment benefits includes Director fees, Committee fees and Other benefits. Post employment benefits represents superannuation contributions.

For Senior Management remuneration, Short-term employment benefits includes Base salary, Short-term incentive payments, vehicles, Other benefits and Other non-monetary benefits. Post employment benefits represents superannuation contributions and Other long-term employee benefits includes leave movements.

(a) Remuneration for the Board of Directors

The following tables disclose the remuneration details for each person that acted as a Director during the current and previous financial year:

2021 Director Remuneration¹

Name	Position	Period	Director Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Other Benefits \$'000	Total \$'000
Mr M Scanlon	Chairperson	Full term	40	6	4	-	50
Ms L Gillam	Director	1/7/2020 – 5/9/2020 ³	5	1	1	-	7
Mr M Dontschuk	Director	Full term	28	5	3	-	36
Ms T Matthews	Director	Full term	28	6	3	-	37
Ms B Hingston	Director	Full term	28	3	3	-	34
Ms T Taylor	Director	20/10/2020 – 30/6/2021 ⁴	19	1	2	-	22
Total			148	22	16	-	186

Notes to the financial statements for the year ended 30 June 2021

2020 Director Remuneration ¹

Name	Position	Period	Director Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Other Benefits \$'000	Total \$'000
Mr M Scanlon	Chairperson	Full term	40	6	4	-	50
Ms L Gillam	Director	Full term	28	3	3	-	34
Mr M Dontschuk	Director	Full term	28	5	3	-	36
Ms T Matthews	Director	Full term	28	6	3	-	37
Ms B Hingston	Director	Full term	28	3	3	-	34
Total			152	23	16	-	191

Board remuneration notes and statements

1 – Amounts are all forms of consideration paid, payable or provided by the entity, i.e. disclosure is made on an accruals basis as at 30 June.

2 – Superannuation means the contribution to the superannuation fund of the individual.

3 – Ms L Gillam retired as a Director on 5 September 2020.

4 – Ms T Taylor was appointed a Director on 20 October 2020.

Board remuneration

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 in accordance with the relevant Guidelines for Tasmanian Government Businesses – Board Appointments.

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 Charge 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 2021

(b) Senior Management remuneration

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

2021 Senior Management remuneration

			Base Salary ¹	Short-Term Incentive Payments ²	Superannuation ³	Vehicles ⁴	Other Monetary Benefits ⁵	Other Non-Monetary Benefits ⁶	Total Remuneration	Termination Benefits ⁷	Other Long-Term Benefits ⁸	Total
Name	Position	Period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr D Benbow	CEO	Full year	209	-	21	-	16	-	246	-	5	251
Mr G Lucas	CFO & Company Secretary	Full year	133	-	13	-	-	-	146	-	7	153
Ms G Cunningham	General Manager	Full year	131	-	17	7	-	-	155	-	6	161
Mr R Clifford	Trustee Services Manager Risk & Compliance	Jul 2021 to Nov 2021 ⁹	49	-	5	-	-	-	54	-	4	58
Mr T Levis	Corporate Solicitor	Full year	138	-	13	-	-	-	151	-	(4)	147
Ms F Sullivan	Northern Regional Manager	Full year	116	-	11	-	-	-	127	-	4	131
Total			776	-	80	7	16	-	879	-	22	901

Notes to the financial statements

for the year ended 30 June 2021

(b) Senior Management remuneration (continued)

2020 Senior Management remuneration

			Base Salary ¹	Short-Term Incentive Payments ²	Superannuation ³	Vehicles ⁴	Other Monetary Benefits ⁵	Other Non-Monetary Benefits ⁶	Total Remuneration	Termination Benefits ⁷	Other Long-Term Benefits ⁸	Total
Name	Position	Period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr D Benbow	CEO	Full year	205	-	19	16	-	-	240	-	11	251
Mr G Lucas	CFO & Company Secretary	Full year	131	-	12	-	-	-	143	-	2	145
Ms G Cunningham	General Manager Trustee Services	Full year	129	-	17	-	-	-	146	-	5	151
Mr R Clifford	Manager Risk & Compliance	Full year	115	-	11	-	-	-	126	-	4	130
Mr T Levis	Corporate Solicitor	Full year	135	-	13	-	-	-	148	-	3	151
Ms F Sullivan	Northern Regional Manager	Full year	113	-	11	-	-	-	124	-	7	131
Total			828	-	83	16	-	-	927	-	32	959

Notes to the financial statements for the year ended 30 June 2021

(b) Senior Management remuneration (continued)

Senior Management remuneration notes and statements

Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis and includes all accrued benefits at 30 June.

- 1- Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
- 2- The Public Trustee does not make short-term incentive payments to staff.
- 3- Superannuation means the contribution to the nominated superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 12.95% of base salary.
- 4- The personal use component of the total cost of providing and maintaining a vehicle for a Senior Manager's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (i.e. the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.
- 5- Other monetary benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable to Senior Managers, either directly or indirectly. The Chief Executive Officer was paid an allowance in lieu of a fully maintained motor vehicle.
- 6- There were no other Non-Monetary benefits during FY2021.
- 7- Termination benefits include all forms of benefit paid or accrued as a consequence of termination.
- 8- Other long-term benefits are annual and long service leave movements.
- 9- Mr Clifford stepped down from the Executive Management Team on 30 November 2020.

Senior Management remuneration

The employment terms and conditions of the Chief Executive Officer are contained in an individual Instrument of Appointment which prescribes total remuneration, superannuation, annual and long service leave, motor vehicle and salary sacrifice provisions. The Corporate Solicitor is remunerated pursuant to the Legal Practitioners Agreement. The other Senior Managers are remunerated pursuant to the State Service Award.

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

The performance of each Senior Manager, including the Chief Executive Officer, is reviewed annually.

The terms of employment of the Chief Executive Officer contains a termination clause that requires the Chief Executive Officer to provide a minimum two weeks notice. The Premier may terminate the appointment of the Chief Executive Officer by given notice of up to five weeks. Instruments of Appointment have durations not exceeding five years.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

(c) Overseas travel

There was no overseas travel undertaken on behalf of the entity during the year by the Chairperson, Directors or staff.

Notes to the financial statements for the year ended 30 June 2021

2021	2020
\$	\$

Note 9. Auditor's remuneration

Remuneration of the auditor for:

- auditing the financial statements

<u>32,710</u>	<u>31,750</u>
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2021	2020
\$'000	\$'000

Note 10. Dividends

Declared and paid

<u>108</u>	<u>36</u>
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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.

Notes to the financial statements

for the year ended 30 June 2021

2021
\$'000

2020
\$'000

Note 11. Cash and cash equivalents

Short term bank deposits

	2,507	4,847
	2,507	4,847

The effective interest rate on short-term bank deposits was between 0.0% and 0.09% (2020: between 0.24% and 1.22%).

Reconciliation of cash

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

Cash and cash equivalents

	2,507	4,847
--	-------	-------

In its capacity as trustee and financial administrator, the entity holds funds on behalf of 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. As at 30 June 2021 cash or cash equivalent assets disclosed above are not restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Reconciliation of liabilities arising from financing activities:

Liabilities	Closing Balance 2020 \$'000	Non-Cash Changes			Cash Flows		Closing Balance 2021 \$'000
		Dividend Declared \$'000	Recognition and/or Adjustment of Liability	Interest Expense	Lease Payments	Cash Payments \$'000	
Dividends Payable	-	(108)	-	-	-	108	-
Lease Liabilities	(1,488)	-	(384)	(46)	343	-	(1,575)
Total	(1,488)	(108)	(384)	(46)	343	108	(1,575)

Liabilities	Closing Balance 2019 \$'000	Non-Cash Changes			Cash Flows		Closing Balance 2020 \$'000
		Dividend Declared \$'000	Recognition and/or Adjustment of Liability	Interest Expense	Lease Payments	Cash Payments \$'000	
Dividends Payable	-	(36)	-	-	-	36	-
Lease Liabilities	-	-	(1,769)	(47)	328	-	(1,488)
Total	-	(36)	(1,769)	(47)	328	36	(1,488)

Note 12. Trade and other receivables

Current

2021
\$'000

2020
\$'000

Contract with customers receivable

187

282

Other receivable

571

1,115

758

1,397

Credit risk

The entity has no trade receivables therefore no significant concentration of credit risk with respect of any single counterparty or group of counterparties. Other receivable amounts relate to accrued revenue and distributions receivable from investment in unlisted managed funds. Contract with customers receivable represent amounts earned on estate administrations but not yet charged to client accounts.

Notes to the financial statements

for the year ended 30 June 2021

2021	2020
\$'000	\$'000

Note 13. Other financial assets

Non-current

Investments in managed funds at fair value through other comprehensive income.

18,127	12,555
18,127	12,555

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 2021.

Note 14. Plant and equipment

Plant and equipment

Leasehold improvements at cost

Accumulated amortisation

1,379	1,373
(647)	(702)
732	671

Fixtures, furniture and equipment at cost

Accumulated depreciation

1,376	1,419
(1,151)	(1,191)
225	228

Client Management System at cost

Accumulated depreciation

439	418
(327)	(238)
112	180

Capital works in progress

111	99
111	99
1,180	1,178

Movement in carrying amounts

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

Leasehold improvements

Balance at 1 July

Reclassifications

Depreciation expense

Balance at 30 June

671	559
186	236
(125)	(124)
732	671

\$179,000 of redundant assets were retired during the year, these assets have been fully depreciated and as at 30 June 2021 had a carrying amount of nil.

Notes to the financial statements

for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Fixtures, furniture and equipment		
Balance at 1 July	228	270
Additions/Disposals	10	41
Asset write-offs	-	(14)
Reclassifications	51	-
Depreciation expense	(64)	(69)
Balance at 30 June	<u>225</u>	<u>228</u>

\$103,000 of redundant assets were retired during the year, these assets have been fully depreciated and as at 30 June 2021 had a carrying amount of nil.

Client Management System		
Balance at 1 July	180	248
Reclassifications	21	20
Depreciation expense	(89)	(88)
Balance at 30 June	<u>112</u>	<u>180</u>

Capital works in progress		
Balance at 1 July	99	177
Additions/Disposals	285	181
Asset write-offs	(15)	(3)
Reclassification	(258)	(256)
Balance at 30 June	<u>111</u>	<u>99</u>

Note 15. Trade and other payables

Current

Trade payables	316	158
Sundry payables and accrued expenses	362	385
	<u>678</u>	<u>543</u>

Note 16. Deferred tax asset

Non-Current

Deferred tax assets		
Balance at 1 July	3,628	3,320
Provisions – employee benefits	(318)	(17)
Fixed Assets	70	-
Other expenses	(14)	(29)
Revenue	(26)	(29)
Prepayments	(13)	-
Lease liabilities	-	409
Change in value of managed funds	(551)	371
Right of use assets	9	(397)
Balance at 30 June	<u>2,785</u>	<u>3,628</u>

Notes to the financial statements

for the year ended 30 June 2021

Note 17. Provisions

	2021	2020
	\$'000	\$'000
Analysis of total provisions		
Current		
Recreation leave	336	350
Long service leave	475	405
Defined benefits obligation	580	514
Total current	<u>1,391</u>	<u>1,269</u>
Non-Current		
Long service leave	277	302
Defined benefits obligation	11,805	12,323
Total non-current	<u>12,082</u>	<u>12,625</u>
Total Provisions	<u>13,473</u>	<u>13,894</u>
	2021	2020
	\$'000	\$'000
Losses		
Balance at 1 July	-	-
Additional provisions	34	19
Amounts used	(34)	(19)
Balance at 30 June	<u>-</u>	<u>-</u>
Employee benefits		
Balance at 1 July	13,894	13,912
Additional provisions	512	925
Amounts used	(481)	(747)
Provision - defined benefit obligation	(452)	(196)
Balance at 30 June	<u>13,473</u>	<u>13,894</u>

Provision for long term employee benefits

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

The current portion of this provision included the total amount accrued for recreation 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 recreation 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(f).

Notes to the financial statements

for the year ended 30 June 2021

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.

Regulatory Framework

The Scheme operates under the *Public Sector Superannuation Reform Act 2016* and the *Public Sector Superannuation Reform Regulations 2017*. Although the Scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation as far as practicable. As an exempt public sector superannuation scheme (as defined in the SIS legislation), the Scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the fund's taxable income is taxed at a concessional rate of 15%. However RBF is also a public sector superannuation scheme which means that employer contributions may not be subject to the 15% tax (if the Tasmanian Government and RBF elect) up to the amount of "untaxed" benefits paid to members in the year.

The Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day to day running of the Scheme is managed by the Office of the Superannuation Commission, within the Department of Treasury and Finance.

Description of risks

There are a number of risks to which the Scheme exposes the Public Trustee. The more significant risks relating to the defined benefits are;

Investment Risk – The risk is that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall over the long term.

Salary growth risk – The risk is that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions over the long term.

Inflation risk – The risk is that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.

Benefit options risk – The risk is that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.

Pensioner mortality risk – The risk is that a pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.

Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Description of significant events

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

Notes to the financial statements

for the year ended 30 June 2021

Reconciliation of the defined benefit obligation	2021	2020
	\$'000	\$'000
Present value of defined benefit obligations at the beginning of the year	15,305	15,736
Current service cost	110	115
Interest cost	470	499
Contributions by plan participants	33	30
Actuarial losses	(230)	(304)
Benefits paid	(544)	(771)
Present value of defined benefit obligations at the end of the year	15,144	15,305
Reconciliation of the fair value of scheme assets		
Fair value of plan assets at the beginning of the year	2,468	2,680
Interest income	75	84
Actual return on plan assets less interest income	337	(131)
Employer contributions	390	576
Contributions by plan participants	33	30
Benefit paid	(544)	(771)
Fair value of plan assets at the end of the year	2,759	2,468
Reconciliation of the net defined benefit liability		
Defined benefit obligation	15,144	15,305
Fair value of plan assets	(2,759)	(2,468)
Net defined benefit liability	12,385	12,837
Current net liability	580	514
Non-current net liability	11,805	12,323
	12,385	12,837
Reconciliation of the Effect of the Asset Ceiling		
The asset ceiling has no impact on the net defined benefit liability.		
Expense recognised in the statement of comprehensive income		
Service cost	110	115
Interest cost	395	415
	505	530
Amounts recognised in other comprehensive income		
Actuarial gains / (losses)	566	196
Cumulative amount recognised in other comprehensive income		
Cumulative amount of actuarial (gains) / losses at end of prior year	3,971	4,167
Actuarial (gains) / losses recognised during the year	(566)	(196)
Cumulative amount of actuarial (gains) / losses at end of year	3,405	3,971

Notes to the financial statements for the year ended 30 June 2021

Fair Value of scheme assets as at 30 June 2021

Asset category	Total (\$'000)	Quoted prices in active markets for identical assets - Level 1 (\$,000)	Significant observable inputs – Level 2 (\$,000)	Unobservable inputs – Level 3 (\$,000)
Cash Deposits	-	-	-	-
Australian equities	435	-	435	-
International equities	551	-	551	-
Infrastructure	359	-	91	268
Diversified fixed interest	689	-	689	-
Property	521	-	39	482
Alternative Investments	204	-	204	-
Total	2,759	-	2,009	750

^ Estimated based on assets allocated to Public Trustee as at 30 June 2021 and asset allocation of the RBF Scheme as at 30 June 2020.

Fair value of the entity's own financial instruments

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

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

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of the Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of the entity's funded liabilities, calculated using assumptions, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, the Government Bond yield of 2.15% has been used, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Significant actuarial assumptions at the reporting date

	30 June 2021	30 June 2020
Discount rate (active member and pensioners)	3.15% pa	3.25% pa
Expected rate of increase in compulsory preserved amounts	3.00% pa	3.00% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected pension increase rate	2.25% pa	2.50% pa

Assumptions to determine end of year defined benefit obligation:

	30 June 2021	30 June 2020
Discount rate (active member and pensioners)	3.20% pa	3.15% pa
Expected rate of increase in compulsory preserved amounts	3.00% pa	3.00% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected pension increase rate	2.25% pa	2.25% pa

Sensitivity analysis

The defined benefit obligation as at 30 June 2021 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.

	Base case	Scenario A	Scenario B	Scenario C	Scenario D
		-1.0% pa discount rate	+1.0% pa discount rate	-1.0% pa pension increase rate	+1.0% pa pension increase rate
Discount rate	3.20% pa	2.20% pa	4.20% pa	3.20% pa	3.20% pa
Pension increase rate	2.25% pa	2.25% pa	2.25% pa	1.25% pa	3.25% pa
Defined benefit obligation (\$'000)	15,144	17,101	13,543	13,798	16,749

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

Notes to the financial statements for the year ended 30 June 2021

Asset-Liability matching strategies

We are not aware of any asset and liability matching strategies adopted by the Fund.

Funding arrangements

The employer contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the Actuary.

Expected contributions

Financial Year Ending

Expected employer contributions

30 June 2022 \$'000
<u>580</u>

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for the Public Trustee is 12.0 years.

Notes to the financial statements

for the year ended 30 June 2021

2021	2020
\$'000	\$'000

Note 19. Reserves

Fair value reserve

Balance at beginning of year	623	1,606
Fair value movement in investments in managed funds (net of related tax)	1,590	(983)
Balance at end of the year	2,213	623

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. Right of Use Assets and Lease Liabilities

a. Right of use assets

2021

	Property \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2020	1,442	5	1,447
Additions/(Disposals)	348	14	362
Asset revaluation	27	-	27
Depreciation charge for the year	(332)	(6)	(338)
Balance at 30 June 2021	1,485	13	1,498

-The Devonport Office lease commenced on 1 July 2020 and was added as a right of use asset during the year (\$347k).

-The Launceston and Hobart lease payments were revised during the year and the corresponding right of use asset revalued.

-Four motor vehicle leases expired during the year with three of four vehicles being returned in December 2020 and the fourth vehicle being returned in April 2021.

- There was an additional motor vehicle lease entered into in May 2021 with a corresponding asset added to right of use assets as required by AASB16.

2020

	Property \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2019	1,746	24	1,770
Depreciation charge for the year	(304)	(19)	(323)
Balance at 30 June 2020	1,442	5	1,447

There were no additions to right of use assets during 2020

In contracts where the Public Trustee is a lessee the Public Trustee will recognise a right of use asset and a lease liability at the commencement date of the lease, unless the short term or low value exemption applies, refer to note 20(b) for details on accounting policy of lease liabilities.

A right of use asset is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right of use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Notes to the financial statements

for the year ended 30 June 2021

b. Lease Liabilities

	2021 \$'000	2020 \$'000
Lease liabilities included in the statement of financial position at 30 June		
Current	349	284
Non-Current	1,226	1,204
	<u>1,575</u>	<u>1,488</u>

Maturity Analysis – contractual undiscounted cash flows

Less than one year	381	358
One to five years	1,179	1,306
More than five years	133	126
Total undiscounted lease liabilities at 30 June	<u>1,693</u>	<u>1,790</u>

The lease for the Hobart office commenced on 1 January 2014. It is a fixed term lease for seven years and nine months. It expires on 1 October 2021. Rent is payable monthly in advance. The contract provides for rental increases at a rate of 3% per annum and an option to renew for a term of a further three years. In January 2021 the Public Trustee exercised the option to extend the lease for a period of three years to September 2024.

The lease for the Launceston office commenced on 1 January 2019. It is a fixed term lease for five years and two months. It expires on the 29 February 2024. The contract provides for rental increases at a rate of 3% per annum with two options to renew for terms of three years respectively.

The entity has entered into a lease for an office in Devonport. The lease commenced on 1 July 2020. It is a fixed term lease for five years. It expires on the 30 June 2025. The contract provides for rental increases at a rate of 3% per annum with two options to renew for terms of five years respectively.

The lease liability is measured at the present value of outstanding payments that are not paid at balance date, discounted by using the rate implicit in the lease. Where this cannot be readily determined then the Public Trustee will use an incremental borrowing rate for a similar term where a similar security is used. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Short term leases and leases of low value assets

The Public Trustee has elected not to recognise right of use assets and lease liabilities for short term leases (leases with a term of less than 12 months) or low value assets (the value of the leased asset is less than \$10,000). The lease payments associated with these leases are treated as an expense.

c. Amounts recognised in profit or loss

	2021 \$'000	2020 \$'000
Interest on lease liabilities	46	47

d. Amounts recognised in the statement of cash flows

Total cash outflow for leases	342	328
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Notes to the financial statements for the year ended 30 June 2021

Note 21. Cash flow information

a. Reconciliation of cash flows from operations with profit after income tax	2021 \$'000	2020 \$'000
Profit after income tax before other comprehensive income	219	810
Non-cash flows in profit:		
Depreciation	616	603
Assets written off expense	-	15
Distribution income treated as investing activities	(499)	(1,163)
Lease Interest Payments	46	47
Changes in assets and liabilities:		
Decrease/(Increase) in trade and other receivables	642	(235)
(Increase) in prepayments	(35)	(55)
Decrease in deferred tax assets	87	10
Increase in trade and other payables	147	12
(Decrease) / Increase in provisions	(422)	201
(Decrease) / Increase in tax assets	(33)	117
Cash flows from operations	768	362

Note 22. Contingent liabilities and contingent assets

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

Note 23. Events after the reporting period

Since 30 June 2021, David Benbow retired as Chief Executive Officer (CEO) on 12 August 2021. Glenn Lucas was appointed Acting CEO effective from 5 August 2021. Glenn Lucas' appointment is for six (6) months or until a new CEO is appointed, whichever is the sooner. Steven Hart was appointed Acting CFO & Company Secretary effective from 5 August 2021. Steven Hart's appointment is for six (6) months or until a new CEO is appointed, whichever is the sooner.

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 2021.

Notes to the financial statements

for the year ended 30 June 2021

Note 26. Financial risk management

The entity's financial instruments consist mainly of deposits with banks, investments in unlisted managed funds and trade and other receivables / payables.

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.

	2021 \$'000	2020 \$'000
Financial assets		
Cash and cash equivalents	2,507	4,847
Trade and other receivables	758	1,397
Other financial assets	18,127	12,555
	<u>21,392</u>	<u>18,799</u>
Financial liabilities		
Trade and other payables	678	543
Lease liabilities	1,575	1,488
	<u>2,253</u>	<u>2,031</u>

Financial risk management policies

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

Specific financial risk exposure and management

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

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

a. Credit risk

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

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

The entity minimizes the risks associated with the investment of its corporate funds by investing strictly in accordance with its Corporate Funds Investment Policy which complies with the Treasurer's Instruction GBE 07-44-01. The policy is monitored regularly and reviewed on an annual basis by the Directors.

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

Credit risk exposures

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

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

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

Notes to the financial statements

for the year ended 30 June 2021

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:

	2021 \$'000	2020 \$'000
Cash and cash equivalents		
- A1+ Rated	1,248	2,180
- A1 Rated	122	222
- A2 Rated	365	2,064
- A3 Rated	35	-
- Unrated	737	381
	2,507	4,847
Financial assets		
- Unrated	18,127	12,555
	18,127	12,555

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 reflects 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial liabilities due for payment						
Trade and other payables	(678)	(543)	-	-	(678)	(543)
Lease Liabilities	(349)	(284)	(1,226)	(1,204)	(1,575)	(1,488)
Total expected outflows	(1,027)	(827)	(1,226)	(1,204)	(2,253)	(2,031)
Financial assets – cash flow realisable						
Cash and cash equivalents	2,507	4,847	-	-	2,507	4,847
Trade and other receivables	758	1,397	-	-	758	1,397
Financial assets	-	-	18,127	12,555	18,127	12,555
Total anticipated inflows	3,265	6,244	18,127	12,555	21,392	18,799
Net inflow on financial instruments	2,238	5,417	16,901	11,351	19,139	16,768

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.

Notes to the financial statements

for the year ended 30 June 2021

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.

d. 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 2021		
+/- 100 bps in interest rates	25	18
+/- 100 bps in investments	181	131
Year ended 30 June 2020		
+/- 100 bps in interest rates	48	35
+/- 100 bps in investments	126	91

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

e. 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 bare 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
2021				
Financial assets				
Investments in unlisted managed funds	-	18,127	-	18,127
2020				
Financial assets				
Investments in unlisted managed funds	-	12,555	-	12,555

Notes to the financial statements

for the year ended 30 June 2021

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.

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 one investment fund to provide clients with a prudent investment for the particular circumstances of each client.

	Common Fund \$'000	No. 2 Fund \$'000	Total '000
2021			
Net assets			
Cash	17,964	1,270	19,234
Term deposits	54,200	-	54,200
Receivables	79	2,036	2,115
Financial assets	-	96,368	96,368
Payables	(29)	(6,846)	(6,875)
	<u>72,214</u>	<u>92,828</u>	<u>165,042</u>
Equity			
Client funds	69,707	92,828	162,535
Entity funds	2,507	-	2,507
	<u>72,214</u>	<u>92,828</u>	<u>165,042</u>
2020			
Net assets			
Cash	8,336	3,894	12,230
Term deposits	68,000	-	68,000
Receivables	291	4,388	4,679
Financial assets	-	76,602	76,602
Payables	(70)	(6,138)	(6,208)
	<u>76,557</u>	<u>78,746</u>	<u>155,303</u>
Equity			
Client funds	71,710	78,746	150,456
Entity funds	4,847	-	4,847
	<u>76,557</u>	<u>78,746</u>	<u>155,303</u>

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

Notes to the financial statements

for the year ended 30 June 2021

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

	Common Fund \$'000	No. 2 Fund \$'000	Total \$'000
2021			
Fund value			
Balance at 1 July	76,557	78,746	155,303
Applications	112,420	13,128	125,548
Redemptions	(116,763)	(6,720)	(123,483)
Net profit	11	14,338	14,349
Distributions	(11)	(6,664)	(6,675)
Balance at 30 June	<u>72,214</u>	<u>92,828</u>	<u>165,042</u>
2020			
Fund value			
Balance at 1 July	73,946	82,542	156,488
Applications	119,973	11,534	131,507
Redemptions	(117,362)	(6,957)	(124,319)
Net profit	462	(1,877)	(1,415)
Distributions	(462)	(6,496)	(6,958)
Balance at 30 June	<u>76,557</u>	<u>78,746</u>	<u>155,303</u>

Note 28. Economic dependency

The entity is reliant on the funding received from the Tasmanian Government in respect of the Community Service Obligations (CSO) performed by the entity. The Public Trustee has entered into a CSO Agreement for three years effective from 1 July 2017 to 30 June 2020. A deed of variation and extension has been agreed with the Treasurer for CSO funding to 30 June 2022.

The amount of CSO funding received by the entity during the year ended 30 June 2021 was \$2,163,000 (2020: \$2,115,000).

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.
Lease Liabilities	Present value of lease liability.

Notes to the financial statements for the year ended 30 June 2020

Note 30. Significant accounting policies

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

a. Income tax equivalent

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

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

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

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

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

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

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

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

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

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

b. Plant and equipment

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

(i) Plant and equipment

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

(ii) Depreciation

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

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Leasehold improvements	10%
Fixtures, furniture and equipment	10% to 40%
Client Management System	20%
Right of Use Assets – Office	10% to 20%

Notes to the financial statements for the year ended 30 June 2020

Right of Use Assets – Motor Vehicles 70% - 90%

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

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

On application of the standard on 1 July 2019 the lease liability has been measured as the present value of the remaining lease payments discounted using an incremental borrowing rate applicable to the term of the lease. On application, the Entity has recognised the following on the balance sheet;

Right of Use Assets	
116 Murray St Hobart	1,282,883
33 George St Launceston	462,488
Motor Vehicles	23,719
Lease liability	1,769,090

Reconciliation of Operating Lease Commitments under AASB117 and lease liabilities under AASB16

As a lessee, the weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on the date of initial application was 2.89%. The difference between the operating lease commitments disclosed previously by applying AASB117 and the value of lease liabilities recognised under AASB16 on 1 July 2019 as disclosed in note 20 is explained as follows:

Operating lease commitments disclosed as at 30 June 2019 1,081,498

Discounted using applicable weighted average discount rate of 2.89% 998,504

Finance Lease Liabilities recognised as at 30 June 2019

- o Recognition exemption for leases with less than 12 months (11,633)
- o Extension options reasonably expected to be exercised 782,219

Lease liability recognised as at 1 July 2019 1,769,090

The profit and loss impact of the leases has been shown through depreciation and interest charges. In the Statement of Cash Flows, lease payments and interest expense have been presented as cash flows from financing activities.

Short-term leases (lease term of 12 months or less) and leases of low-value assets are recognised as a lease expense on a straight-line basis as permitted by AASB 16. The profit and loss impact of these leases has been shown through occupancy costs. These expenses have been presented in the Statement of Cash Flows as operating activities.

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.

Notes to the financial statements

for the year ended 30 June 2020

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.

Notes to the financial statements for the year ended 30 June 2020

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 Tasmanian Government's Retirement Benefits Fund.

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 gains 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.

Notes to the financial statements

for the year ended 30 June 2020

(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.

(vi) Capital Commission from estate administration is accrued based on the stage of completion of the estate. Other commission revenue is recognised as the relevant administration transactions occur.

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.

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 2021 and the financial position as at 30 June 2021 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 Acting Chief Executive Officer and Acting Chief Financial Officer of the entity:

- a) the financial records of the enterprise for the year ended 30 June 2021 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 2021 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 2021 give a true and fair view.

Signed in accordance with a resolution of the directors:



Mark Scanlon
Chairperson



Tracy Matthews
Director

Hobart, 24 September 2020

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 2021 and statements of profit or loss and other 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 statement of certification by the directors.

In my opinion, the accompanying financial report is in accordance with the *Government Business Enterprises Act 1995*, including:

- (a) giving a true and fair view of the Public Trustee's financial position as at 30 June 2021 and of its financial performance and its cash flows for the year then ended
- (b) complying with 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 (including Independence Standards)* (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.

Independent 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
Investment in financial assets/assets under management and trusteeship <i>Refer to notes 13 and 27</i>	
<p>As at 30 June 2021, the Public Trustee had a large amount of assets invested in managed funds, \$18.1m, measured at fair value based on advice from external providers.</p> <p>The Public Trustee also held assets managed on behalf of its clients, pursuant to the <i>Public Trustee Act 1930</i>, which had a high volume of activity and a significant monetary value at 30 June 2021, \$165.0m.</p> <p>Assets held in trust were not recognised in the statement of financial position but disclosed by way of note.</p> <p>Investments included unlisted funds which were valued based on proprietary valuations prepared by fund managers under their respective valuation methodologies.</p>	<ul style="list-style-type: none"> Assessing the adequacy of internal controls of fund managers and confirming that controls were operating effectively throughout the year. Obtaining and assessing confirmations of the number of units, the redemption value of those units at year-end and copies of audited financial reports directly from fund managers. Assessing the adequacy of internal controls related to valuation of unlisted funds. Performing a reconciliation of investment funds held in trust, including agreeing the reasonableness of unit rates identified within the funds to supporting documentation and verifying the valuation methodologies used. Assessing the adequacy of disclosures in the financial report.
Valuation and disclosure of defined benefit obligations <i>Refer to notes 17 and 18</i>	
<p>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 \$12.4m at 30 June 2021.</p>	<ul style="list-style-type: none"> Assessing the expertise and independence of the actuary performing the valuation. Evaluating the appropriateness of the valuation methodology applied to

Independent Auditor's Report

<p>The value of the unfunded superannuation liability and movements recognised in the financial statements are based on an annual independent valuation. This valuation is based upon a number of assumptions and the use of discount rates, all of which are subjective.</p> <p>The valuation is a key audit matter due to the complexity and level of judgement required in the calculation.</p>	<p>determine the value of the obligation, including the assumptions used.</p> <ul style="list-style-type: none">• Evaluating the information provided to the actuary.• Assessing the accounting treatment for superannuation costs, changes in the value of the liability and disclosures in the financial report.
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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.

Independent Auditor's Report

- 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, actions taken to eliminate threats or safeguards applied.

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.



David Bond
Assistant Auditor-General – Financial Audit Services
Delegate of the Auditor-General
Tasmanian Audit Office

27 September 2021
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.



Glenn Lucas
Acting Chief Executive Officer

Hobart, 24 September 2021

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	17 days
Number of accounts due for payment	1,114
Number of accounts paid on time	1,113
Amount due for payment	\$3.05 Million
Amount paid on time	\$3.05 Million
Number of payments for interest on overdue accounts	NIL
Interest paid on overdue accounts	NIL
Commentary (if applicable)	
Not applicable	

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
				NIL
			Total	\$ NIL
Consultants engaged for \$50,000 or less totalling				\$ 71,916
Total Payment to Consultants				\$ 71,916

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	85.7 %
Value of purchases from Tasmanian businesses (Exc GST)	\$ 2.46 Million

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 business unit 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 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 2021

Public Trustee Common Fund Special Purpose Annual Report – 30 June 2021

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 with returns (before fees) that exceeds the RBA Cash Rate.

Funds in the Common Fund are available on an at call basis. The current low interest rate environment means that the average annual interest rate on the Common Fund is currently 0.01%

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 2021	
1 Month	0.01%
3 Months	0.01%
6 Months	0.01%
1 year	0.02%
2 years	0.31%
3 years	0.70%
5 years	0.95%

Public Trustee Common Fund
Statement of comprehensive income
For the year ended 30 June 2021

Statement of comprehensive income – unaudited

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Investment revenue		
Interest income	<u>562</u>	1,273
Total investment revenue	<u>562</u>	<u>1,273</u>
Expenses		
Management fees charged by Public Trustee	<u>551</u>	811
Total operating expenses	<u>551</u>	<u>811</u>
Net profit attributable to account holders	<u>11</u>	<u>462</u>
Distributions to account holders	<u>(11)</u>	<u>(462)</u>
Amount retained but not distributed	<u>-</u>	<u>-</u>

Statement of financial position – unaudited

		As at	
	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents		72,164	76,336
Receivables		5	-
Accrued Revenue		<u>74</u>	<u>291</u>
Total assets		<u>72,243</u>	<u>76,627</u>
Liabilities			
Payables		<u>29</u>	<u>70</u>
Net assets attributable to unitholders - liability	4	<u>72,214</u>	<u>76,557</u>

Public Trustee Common Fund
Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2021

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Total net assets attributable to unitholders at the beginning of the year	76,557	73,946
Net profit attributable to unitholders	11	462
Distributions to unitholders	(11)	(462)
Application for units	112,420	119,973
Redemption of units	<u>(116,763)</u>	<u>(117,362)</u>
Total net assets attributable to unitholders at the end of the year	<u>72,214</u>	<u>76,557</u>

Statement of cash flows - unaudited

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities		
Interest received	775	983
Management fees	<u>(593)</u>	<u>(742)</u>
Net cash inflow from operating activities	<u>182</u>	<u>241</u>
Cash flows from financing activities		
Applications	112,420	119,973
Redemptions	<u>(116,763)</u>	<u>(117,362)</u>
Distributions paid	<u>(11)</u>	<u>(462)</u>
Net cash (outflow)/inflow from financing activities	<u>(4,354)</u>	<u>2,149</u>
Net (decrease)/increase in cash and cash equivalents	(4,172)	2,390
Cash and cash equivalents at the beginning of the year	<u>76,336</u>	<u>73,946</u>
Cash and cash equivalents at the end of the year	<u>72,164</u>	<u>76,336</u>

1 General information

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

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

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

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

The Common Fund is managed by the Public Trustee.

The information provided in this annual report is unaudited.

2 Basis of accounting

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

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.

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 2020 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.

(a) Impairment of financial assets

At the end of each reporting date, the Trustee 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 Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Interest received from investments in cash and cash equivalents

Interest income is recognised using the effective interest rate method.

(d) Cash and cash equivalents

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

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

(e) Taxation

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

(f) Distributions

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

(g) Unit holders

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

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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 2021 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 2021 \$'000	30 June 2020 \$'000
	Client funds	79,707	71,710
	Corporate funds	<u>2,507</u>	<u>4,847</u>
	Net assets attributable to unitholders - liability	<u>72,214</u>	<u>76,557</u>

5 Financial risk management

The Common Fund's financial instruments consist of deposits with APRA regulated authorised deposit taking institutions (ADIs). 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.

	2021 \$'000	2020 \$'000
Financial assets		
Cash and cash equivalents	72,164	76,336
	<u>72,164</u>	<u>76,336</u>

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 the Common Fund Investment Policy.

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.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved Board policy. Any concentration of credit risk 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. 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:

	2021 \$'000	2020 \$'000
Cash and cash equivalents		
-A1+ Rated (APRA Regulated ADI)	35,964	34,336
-A1 Rated (APRA Regulated ADI)	3,500	3,500
-A2 Rated (APRA Regulated ADI)	10,500	32,500
-A3 Rated (APRA Regulated ADI)	1,000	-
-BBB+	-	-
-Unrated (APRA Regulated ADI)	21,200	6,000
	<u>72,164</u>	<u>76,336</u>

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;
- only investing surplus cash with Board approved Australian ADI's; 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 party 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 current low interest rate environment and readily available funding for financial institutions has resulted in a reduction in term deposit rates on offer from Australian ADIs. In response to this, the Public Trustee has reduced its management fee to avoid a negative interest rate on clients funds invested in the Common Fund.

Public Trustee Group Investment Fund 2 Special Purpose Annual Report - 30 June 2021

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	7.5%
Australian Fixed Interest	22.5%
Australian Shares	35%
International Shares	12.5%
International Shares – Hedged to AUD	12.5%
Australian Listed Property	5%
Global Listed Infrastructure	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 at the discretion of the trustee quarterly in January, April, July and October each year.

The performance of the Group Investment Fund 2, after fees, to 30 June 2021 is as follows;

Performance after Fees to 30 June 2021	
1 Month	1.89%
3 Months	5.60%
6 Months	8.09%
1 year	17.37%
2 years	7.04%
3 years	7.69%
5 years	7.82%

The information provided in this annual report is unaudited.

Public Trustee Group Investment Fund 2
Statement of comprehensive income
For the year ended 30 June 2021

Statement of comprehensive income - unaudited

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Investment revenue		
Dividend/distribution Income	3,136	6,931
Interest income	-	1
Net gains/losses on financial instruments held at fair value through profit or loss	12,291	(7,768)
Total investment revenue	15,427	(836)
Expenses		
Management fees charged by Public Trustee	875	830
Custody fees	124	132
Other expenses	89	80
Total operating expenses	1,088	1,042
Net profit attributable to account holders	14,339	(1,878)
Distributions to account holders	(6,665)	(6,496)
Change in net assets attributable to unitholders	7,674	8,374
Amount retained but not distributed	-	-

Statement of financial position - unaudited

		As at	
		30 June	30 June
	Notes	2021	2020
		\$'000	\$'000
Assets			
Cash and cash equivalents		1,270	3,894
Receivables		2,036	4,388
Financial assets at fair value through profit or loss		<u>96,368</u>	<u>76,602</u>
Total assets		<u>99,674</u>	<u>84,884</u>
Liabilities			
Distributions Payable		6,665	5,951
Payables		<u>181</u>	<u>187</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>6,846</u>	<u>6,138</u>
Net assets attributable to unitholders - liability	4	<u>92,828</u>	<u>78,746</u>

Public Trustee Group Investment Fund 2
Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2021

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Total net assets attributable to unitholders at the beginning of the year	78,746	82,542
Net profit attributable to unitholders	14,338	(1,877)
Distributions to unitholders	(6,665)	(6,496)
Application for units	13,129	11,534
Redemption of units	(6,720)	(6,957)
Total net assets attributable to unitholders at the end of the year	<u>92,828</u>	<u>78,746</u>

Statement of cash flows - unaudited

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through Profit or loss	16,106	9,788
Purchase of financial instruments held at fair value through profit or loss	(23,580)	(9,600)
Dividends received	5,499	5,768
Interest received	-	1
Management fees	(861)	(832)
Custodian fees	(161)	(64)
Payment of other expenses	(84)	(76)
Net cash (outflow) / inflow from operating activities	(3,081)	4,985
Cash flows from financing activities		
Receipts from issue of units	13,129	11,535
Payments for redemption of units	(6,720)	(6,957)
Distributions paid	(5,952)	(6,320)
Net cash inflow / (outflow) from financing activities	457	(1,742)
Net (decrease) / increase in cash and cash equivalents	(2,624)	3,243
Cash and cash equivalents at the beginning of the year	<u>3,894</u>	<u>651</u>
Cash and cash equivalents at the end of the year	<u>1,270</u>	<u>3,894</u>

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 2020 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.

(a) Impairment of financial assets

At the end of each reporting date, the trustee 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 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 being the consideration given.

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.

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.

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 of principal and interest.

Financial assets measured at fair value

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

(c) Investment revenue recognition

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

Interest received from investments in cash and cash equivalents

Interest income is recognised using the effective interest rate method.

Distributions from unlisted managed investment schemes

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

(d) Cash and cash equivalents

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

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

(e) Taxation

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

(f) Distributions

Income is calculated quarterly and is distributed to investors at the discretion of the trustee 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.

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 2021 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 2021 \$'000	30 June 2020 \$'000
	Client funds	92,828	78,746
	Net assets attributable to unitholders - liability	92,828	78,746

5 Financial risk management

The Group Investment Fund 2's 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.

	2021 \$'000	2020 \$'000
Financial assets		
Cash and cash equivalents	1,270	3,894
Receivables	2,036	4,388
Financial assets at fair value through profit or loss	96,368	76,602
	99,674	84,884
Financial liabilities		
Trade and other payables	6,846	6,138

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 reflects 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	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Trade and other payables	(6,846)	(6,138)	-	-	(6,846)	(6,138)
Total expected outflows	(6,846)	(6,138)	-	-	(6,846)	(6,138)
Financial assets – cash flow realisable						
Cash and cash equivalents	1,270	3,894	-	-	1,270	3,894
Receivables	2,036	4,388	-	-	2,036	4,388
Financial assets at fair value	96,368	76,602	-	-	96,368	76,602
Total anticipated inflows	99,674	84,884	-	-	99,674	84,884
Net inflow on financial instruments	92,828	78,746	-	-	92,828	78,746

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 40% of its assets invested in defensive assets (cash and fixed interest) and 60% 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. Market Price risk is mitigated by selecting investments that have a robust investment process in place. Risk is further reduced by having the Portfolio diversified across the major recognised assets classes.

Net fair values

(i) Fair value estimation

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

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

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

(ii) Financial instruments measured at fair value

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

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2021				
Financial assets				
Investments in unlisted managed funds	-	96,368	-	96,368
2020				
Financial assets				
Investments in unlisted managed funds	-	76,602	-	76,602

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