

# Annual Report 2007/2008



If it's important to you, it's important to us.

**Public Trustee**

The Hon Lara Giddings MP  
Attorney General and Minister for Justice and Health  
Level 10, 15 Murray Street  
HOBART TAS 7000

Dear Minister,

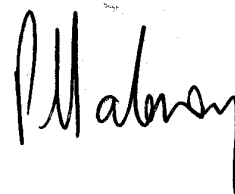
In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we submit for your information and presentation to Parliament the Report of The Public Trustee for the year ended 30 June 2008.

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

Yours faithfully,



Ann Cunningham  
Chairperson  
The Board of The Public Trustee



Peter Maloney  
Chief Executive Officer  
The Public Trustee

# Contents

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Responsible Minister .....	3
Principal Legislation .....	3
Main Undertakings .....	3
Our Mission, Vision and Values.....	4
Chairperson’s Report .....	5
Chief Executive Officer’s Report.....	7
Structure of The Public Trustee.....	9
The Board of The Public Trustee.....	10
Corporate Plan.....	13
Financial Commentary.....	15
Superannuation Certificate.....	17
Financial Statements.....	18
Independent Audit Report.....	47
Public Interest Disclosures Act 2002 .....	49

## Responsible Minister

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

## Principal Legislation

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

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

## Main Undertakings

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

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

# Our Mission, Vision and Values

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

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

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

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

## **Mission Statement**

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

## **Vision Statement**

To be the first choice provider of trustee services in Tasmania.

## **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.
- Integrity – open, honest and ethical service delivery.

# Chairperson's Report

It is with pleasure that I present the Annual Report for the year ended 30 June 2008.

In the financial year in review the organisation has again achieved a sound financial result – an operating profit after tax of \$910,441. This continues the consolidation of The Public Trustee as a commercially driven, successful Government Business Enterprise, delivering value to our clients in the Tasmanian community.

Factors contributing to the result were:

- Total revenue from ordinary activities was 6.1% higher than last year.
- Of total revenue, commission and fees increased by 7.5% on last year.
- Total expenses from ordinary activities increased by 7.3% during the year with salaries and associated expenses up 8.3%.

In the year in review we paid \$464,019 to the Government by way of dividend.

Funds under management continue to be a core area of business for the organisation. Client funds under management are \$131 million, with total client assets under administration amounting to \$201 million.

The deposit rate paid by The Public Trustee's Common Fund during the year was competitive and reflected market trends. Interest rates paid to contributors ranged from 5.34% to 7.44% per annum.

The Public Trustee has three diversified Group Investment Funds (No 1, No 2 and No 3), which have exposure to varying allocations of defensive and growth assets. Since being established in May 2004 the Funds have provided annualised returns of 6.31%, 8.11% and 9.17% respectively to the end of June 2008.

I have commented previously on the importance of Community Service Obligation (CSO) funding for the financial viability of the organisation. During the year in review, The Public Trustee negotiated a new CSO funding agreement with the Government. It is pleasing to note the increased funding provided by the Government in the new three year agreement with CPI increases. The provision of CSO services to the Tasmanian community is an extremely important part of The Public Trustee's business and the CSO funding provided by the Government recognises this.

The directors and senior managers of The Public Trustee undertook a rigorous and thorough review of the organisation's strategic direction during the year. This provided a significantly updated Corporate Plan to guide the organisation over the ensuing three years.

Growth in our core commercial business is the priority of the Board. Marketing strategies have been identified to assist in achieving that objective. During the financial year, the Public Trustee undertook an extensive review of its brand. The review commenced in February 2008 and included one on one interviews and larger scale focus groups based around target market segments.

The consumer insights gained from the interviews were used to workshop the Public Trustee's future market position. Further research was conducted and it was identified that a change in the brand and the Public Trustee logo were required.

A new logo has been developed and the Public Trustee's positioning within the market has been identified. Implementation is scheduled to commence in the 2008/2009 financial year in conjunction with a brand awareness campaign.

Corporate governance continues to be a focus for the Board to ensure that there is an appropriate risk management framework in place and that the Board operates in accordance with best practice.

To assist in this task, the Board conducted its annual review of performance and identified strategies for improvement. In addition, it held a half day training session for directors on corporate governance and directors' duties. The Board has determined that next year's performance review is to be externally facilitated. I also attended the Chairman's Course conducted by the Australian Institute of Company Directors.

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

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

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



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

# Chief Executive Officer's Report

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

However, financial success is just one way we measure our performance. The Public Trustee surveys its clients to gauge feedback as to the standard of service we provide.

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

Of 709 surveys sent during 2007-2008, we received a response rate of 30%. Of those beneficiaries who responded 78% stated their experience in dealing with The Public Trustee either met or exceeded their expectation. The Public Trustee welcomes the feedback from these surveys and uses it for the purposes of continuous improvement in client service.

Our will client surveys continue to produce outstanding results. For the year in review we distributed 770 surveys with a 46% response rate. Of those who responded, virtually 100% stated that their experience with dealing with The Public Trustee met or exceeded their expectations. This once again is a tremendous result and reflects well on those in the organisation who take will instructions and in particular the professionalism of the Legal Services team.

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

We wrote 751 new wills and 870 revision wills. Strategies are being developed to assist us in increasing this part of our business.

Public presentations and seminars continue to be a core area of activity for the organisation. We conducted 60 seminars and presentations around the state to a variety of groups and organisations with 1,623 attendees.

A roll out of new IT infrastructure and hardware was completed during the year. This also involved upgrading our software and operating system. At the same time, we upgraded our core information system. These developments have enhanced the ability of our staff to provide high quality service to our clients.

Our employees are central to the success of The Public Trustee. This year the focus has been on the learning and development opportunities available. These are delivered by our in house specialists who have significant experience and by external providers. The Public Trustee actively supports employees undertaking external studies to achieve industry recognised qualifications and to provide an environment where continuous learning is valued. We are able to attract quality employees and in this reporting year have expanded our induction program to welcome and support them in providing a high standard of client service.

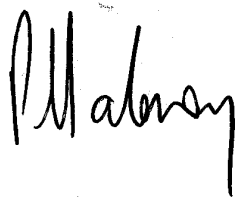


Risk management continues to be an area of focus for the organisation. A risk review of our policies, practices and procedures was conducted as required by the Commonwealth *Anti-Money Laundering and Counter Terrorism Financing Act*. A compliance program was developed to ensure that our policies, practices and procedures comply with the requirements of the Act.

It is pleasing to see the increased funding provided by Government in the new CSO Funding Agreement. This recognises the important role The Public Trustee plays in providing CSO services to the Tasmanian community. This in particular relates to represented persons for whom we act as financial administrator under an order by the Guardianship and Administration Board. There has been a significant increase in these clients, up from 268 to 470, in the past five years. At The Public Trustee, we recognise the importance of providing a service to those less fortunate people in our society who lack financial decision making ability due to a disability.

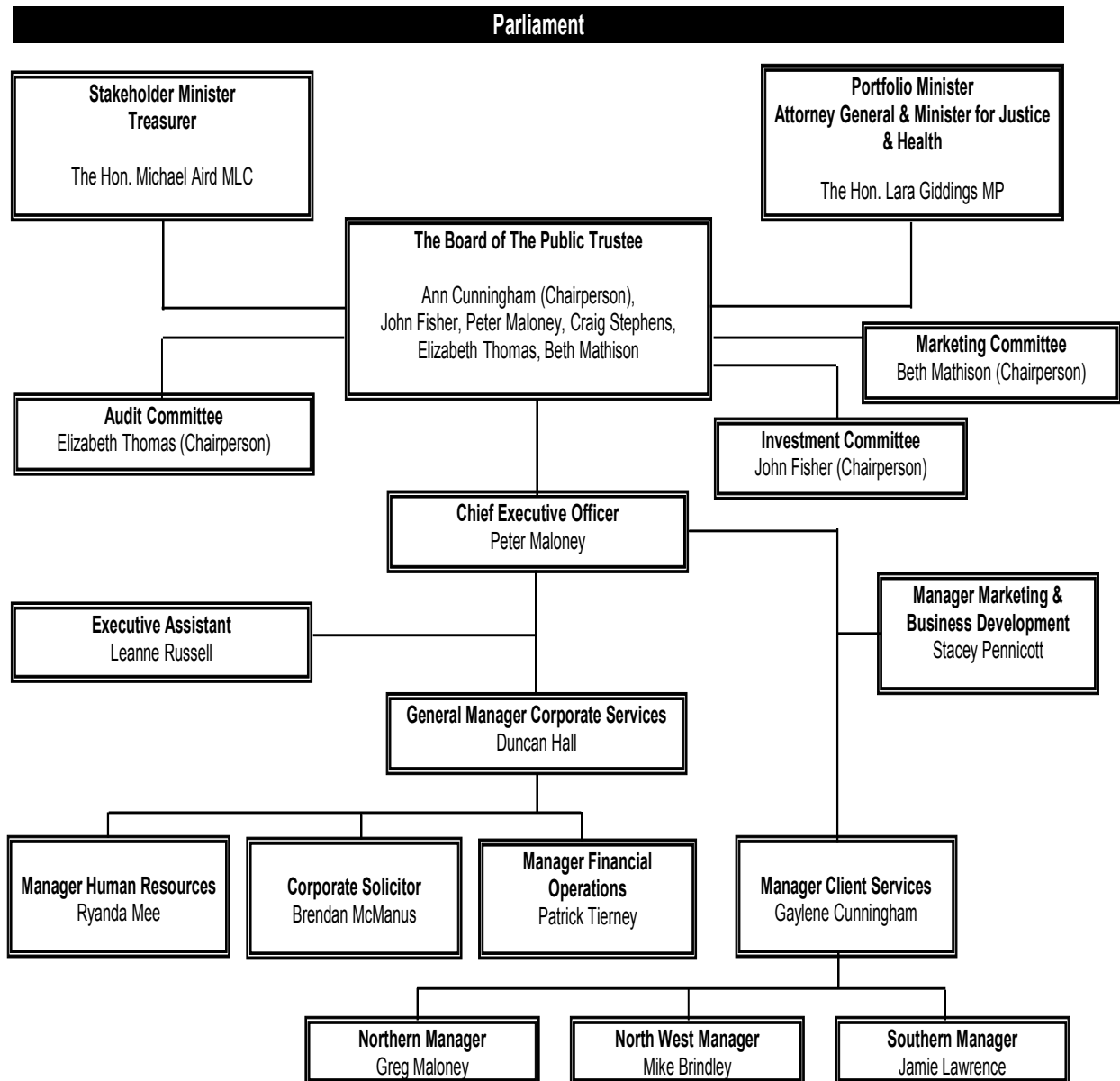
In conclusion I would like to thank the Chairperson of the Board, Ann Cunningham and my fellow Directors. Their contribution to the organisation and their support and assistance to me is invaluable.

I would like to record my appreciation to The Public Trustee team without whom we would have not have achieved the results we have in the past year. I look forward to working with them and the Board in ensuring that The Public Trustee continues to be a successful commercial provider of trustee services to the Tasmanian community.

A handwritten signature in black ink, appearing to read 'Peter Maloney', written in a cursive style.

**Peter Maloney**  
Chief Executive Officer

# Structure of The Public Trustee



# The Board of The Public Trustee

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

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

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

The Board has established audit, investment and marketing committees to support it in matters that require more intensive review. The Board meets monthly - the Audit and Investment Committees meet every two months and the Marketing Committee meets monthly with additional meetings as the need arises.

The Audit Committee oversees the integrity of internal control and risk management strategies. The Investment Committee advises the Board on the investment of money held by The Public Trustee in trust, including funds invested in the common fund and group investment funds. The Marketing Committee provides advice and recommendations on marketing strategies and promotions.

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

## Ann Cunningham

Chairperson of the Board of The Public Trustee May 2004  
Board Member of The Public Trustee since April 2000  
Member of the Audit Committee  
Member of the Investment Committee

Ms Cunningham is a barrister and solicitor and senior member of the Administrative Appeals Tribunal and presiding member of The Resource Management and Planning Appeals Tribunal. Ann is also an accredited mediator and arbitrator and is a graduate member of the Australian Institute of Company Directors.

## **John Fisher**

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

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

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

## **Peter Maloney**

Board Member of The Public Trustee since August 1996  
Member of the Investment Committee since August 1996  
Chairperson of the Board of The Public Trustee May 2001 - February 2003  
Chief Executive Officer of the Public Trustee February 2003  
Member of the Marketing Committee since June 2007

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

## **Craig Stephens**

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

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

## **Elizabeth Thomas**

Board Member of The Public Trustee since September 1995

Chairperson of the Audit Committee since March 2003

Member of the Marketing Committee since June 2007

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

## **Beth Mathison**

Board Member of The Public Trustee since March 2007

Chairperson of the Marketing Committee since June 2007

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

# Corporate Plan

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

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

Strategic initiatives contained in the 2008-09 to 2010-11 Corporate Plan focus on:

- building the commercial business base to ensure the commercial success of The Public Trustee as a Government Business Enterprise
- strategies to shape and promote the public profile of The Public Trustee within the Tasmanian community.
- strategies to increase efficiencies in business processes through innovation and continuous improvement.
- strategies for continuous improvement in client service delivery.

## Statement of Corporate Intent

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

### a) Business Definition

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

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

### b) Business Direction

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

- operating in accordance with sound commercial practices
- operating efficiently and maximising the net worth of the business

- maximising the sustainable return to the State in accordance with the corporate plan and to perform, on behalf of the State, any community service obligations in an efficient manner.

### c) Strategic Direction

The strategic direction of The Public Trustee for the period of the Corporate Plan focuses on the implementation of strategies designed to increase the efficiency and profitability of the Public Trustee, consistent with its community service obligations.

### d) Business Performance Targets

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

<b>Key Performance Indicators</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
Return on Tangible Assets	4.9%	5.3%	5.6%
Return on Tangible Equity	27%	26%	24%
Net Tangible Equity to Tangible Assets Ratio	14%	16%	18%
Net Profit before tax	\$600,000	\$650,000	\$700,000
Debt to Equity Ratio	N/A	N/A	N/A
Interest Cover Ratio	N/A	N/A	N/A

The notional income from the \$8.66 million provision for Retirement Benefits flows to the provision and has the effect of reducing the return on assets.

### e) Distribution Policy and Targets

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

	<b>2008-2009</b>	<b>2008-2009</b>	<b>2010-2011</b>
Dividends	\$290,000	\$220,000	\$240,000
Income tax equivalent payments	\$150,000	\$170,000	\$185,000
Guarantee fees	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$440,000</b>	<b>\$390,000</b>	<b>\$425,000</b>
Dividend payout ratio	50%	50%	50%

### f) Capital Structure

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

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

# Financial Commentary

## Financial Performance Indicators

The Public Trustee's corporate plan targets and key financial performance indicator results for 2007 – 2008 were:

	<b>Corporate Plan Target 2007-2008</b>	<b>Actual for 2007-2008</b>
<b>Return on Tangible Assets</b>		
Earnings before interest & Tax / Total Tangible Assets	5.7%	10%
<b>Return on Tangible Equity</b>		
Earnings after Tax / Net Tangible Assets	34%	45%
<b>Net Tangible Equity to Tangible Assets Ratio</b>	15%	16%

The notional income generated from the \$8.66 million provision for retirement benefits flows through to the provision and has the effect of reducing the stated return on assets.

Future income tax benefits represented 20% of total assets and 70% of net assets as at 30 June 2008 and have the effect of reducing the return on assets and profit to equity ratios.

## Payments to Consolidated Fund

The Public Trustee's payments to the Consolidated Fund for 2007-2008 compared with the previous year were:

	<b>2007-2008</b>	<b>2006-2007</b>
Dividend	\$464,019	\$636,761
Income Tax Equivalent Payment	\$313,485	\$466,237
Guarantee Fee	Nil	Nil
<b>TOTAL</b>	<b>\$777,504</b>	<b>\$1,102,998</b>



## Capital Structure

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

## Distribution Targets

The targets for distribution and payments to the Consolidated Fund in 2008-2009 are:

Guarantee Fee	\$0
Income Tax Equivalent Payment	\$150,000
Dividend	\$290,000
<b>TOTAL</b>	<b>\$440,000</b>

## Statement on Superannuation Entitlements

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

## Procurement Contracts

The Public Trustee had no procurement contracts in place as at 30 June 2008 valued at more than \$50,000.

## Support for Tasmanian Business

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

## Staffing

As at 30 June 2008 The Public Trustee employed 49 staff on a full time equivalent basis.

## Community Service Obligation Payments

In accordance with the provisions contained in Part 9 of the *Government Business Enterprises Act 1995*, community service obligations have been declared to encompass the responsibility of The Public Trustee to administer estates, trusts and the financial affairs of represented persons, notwithstanding that the financial value of these matters prohibits full cost recovery. As at 30 June 2008, matters classified as community service obligations accounted for 52% of the matters administered by The Public Trustee.

The Treasurer, as purchasing minister, enters into an agreement with The Public Trustee to fund the provision of community service obligations. The funding received by The Public Trustee in 2007-08 was \$1,070,414.

# Superannuation Certificate

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

- Retirement Benefits Fund Board
- Tasplan Superannuation Fund
- Fiducian Life Superannuation
- Colonial First State Superannuation
- Sedwynd Superannuation Fund
- Macquarie Financial Services Superannuation
- ING Masterfund Superannuation
- The Grange Close Superannuation Fund
- AXA Australian Equity Superannuation Fund
- REST Superannuation
- Australian Super
- BT Portfolio Services Limited
- CBUS Super
- Colonial First State Investments Ltd.



Ann Cunningham  
Chairperson  
Board Of The Public Trustee

**The Public Trustee**

**Financial Statements**

**2007-2008**

# STATEMENT OF CERTIFICATION

In the opinion of the directors of The Public Trustee

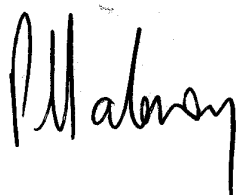
- (a) the attached financial statements are drawn up so as to give a true and fair view of the results and cash flows for the year ending 30 June 2008 and the state of affairs as at 30 June 2008 of The Public Trustee;
- (b) the accounts have been prepared in compliance with the provisions of the Government Business Enterprises Act 1995;
- (c) at the date of this statement, there are reasonable grounds to believe that The Public Trustee will be able to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations and comply with Australian equivalents to International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



**ANN F. CUNNINGHAM**  
**CHAIRPERSON**  
**BOARD OF THE PUBLIC TRUSTEE**  
**13<sup>th</sup> August 2008**



**PETER M. MALONEY**  
**DIRECTOR**  
**THE PUBLIC TRUSTEE**  
**13<sup>th</sup> August 2008**

**THE PUBLIC TRUSTEE**  
**INCOME STATEMENT**  
For the Year Ended 30 June 2008

	NOTE	2008	2007
			\$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Commission and Fees		4,906,986	4,566,330
Funding of Community Service Obligations	22	1,070,414	793,000
Income from Investments	3	536,161	503,288
Gain from Asset Revaluations		217,500	480,950
Other Income		0	532
		<u>6,731,061</u>	<u>6,344,100</u>
<b>Total Revenue from Ordinary Activities</b>			
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Salaries and Associated Expenses		2,906,932	2,684,122
Provisions for Employment Benefits		892,317	903,511
Accommodation Expenses		171,871	147,565
Depreciation		42,262	54,306
Administration Expenses	26	1,452,761	1,306,735
		<u>5,466,143</u>	<u>5,096,239</u>
<b>Total Expenses from Ordinary Activities</b>			
<b>PROFIT BEFORE TAX</b>		<u>1,264,918</u>	<u>1,247,861</u>
Income Tax Expense	24	354,477	319,824
<b>PROFIT FOR THE YEAR</b>		<u>910,441</u>	<u>928,037</u>

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
For the Year Ended 30 June 2008

Actuarial gain (loss) on defined benefit superannuation fund		510,303	(1,219,059)
Transfer from RBF provision to subsequent employer		(103,075)	0
Transfer to RBF provision from previous employer		0	376,809
Revaluation of land and buildings		122,500	169,050
Tax benefit (expense) on income and expense recognised directly in equity	24	(158,918)	201,960
		<u>370,810</u>	<u>(471,240)</u>
<b>Net Income (Expense) recognised directly in equity</b>			
Profit for the Year		910,441	928,037
<b>TOTAL RECOGNISED INCOME FOR THE YEAR</b>		<u>1,281,251</u>	<u>456,797</u>

These statements should be read in conjunction with the accompanying notes

**THE PUBLIC TRUSTEE**  
**BALANCE SHEET**  
As at 30 June 2008

	NOTE	2008 \$	2007 \$
<b>CURRENT ASSETS</b>			
Cash Assets	4	6,445,373	6,431,090
Receivables	5	429,438	421,838
Other	6	45,171	45,139
		<u>6,919,982</u>	<u>6,898,067</u>
<b>TOTAL CURRENT ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	7	2,411,913	2,202,406
Investment Property	8	3,100,000	2,882,500
Deferred Income Tax Asset	24	2,790,530	2,981,968
		<u>8,302,443</u>	<u>8,066,874</u>
<b>TOTAL NON-CURRENT ASSETS</b>			
		<u>15,222,425</u>	<u>14,964,941</u>
<b>TOTAL ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Payables	9	722,205	617,173
Current Income Tax Liability	24	(52,314)	41,214
Provisions	10	1,927,540	2,054,978
		<u>2,597,431</u>	<u>2,713,365</u>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Provisions	11	7,272,499	7,818,313
Deferred Income Tax Liability	24	267,465	165,465
		<u>7,539,964</u>	<u>7,983,778</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>			
		<u>10,137,395</u>	<u>10,697,143</u>
<b>TOTAL LIABILITIES</b>			
		<u>5,085,030</u>	<u>4,267,798</u>
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Retained Profits	12	4,793,480	4,098,748
Asset revaluation Reserve		291,550	169,050
		<u>5,085,030</u>	<u>4,267,798</u>
<b>TOTAL EQUITY</b>			

Statements should be read in conjunction with accompanying notes

**THE PUBLIC TRUSTEE**  
**CASH FLOW STATEMENT**  
For the Year Ended 30 June 2008

	NOTE	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from clients, government & Common Fund		6,505,961	5,882,023
Payments to employees and suppliers		(5,584,905)	(4,903,336)
Contribution to Retirement Benefits Provision		0	376,809
Income Tax Equivalents Paid		(313,485)	(466,236)
Dividend Paid		(464,019)	(636,761)
		<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	19	<b><u>143,552</u></b>	<b><u>252,499</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in investment in Common Fund		0	(100,000)
Payments for property, plant & equipment		(129,269)	(112,743)
Proceeds from sale of property, plant & equipment		0	532
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b><u>(129,269)</u></b>	<b><u>(212,211)</u></b>
Net increase (decrease) in Cash Held		14,283	40,287
Cash at the beginning of the year		331,090	290,803
		<hr/>	<hr/>
<b>CASH AT THE END OF THE YEAR</b>	19	<b><u>345,373</u></b>	<b><u>331,090</u></b>

This statement should be read in conjunction with the accompanying notes

# THE PUBLIC TRUSTEE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

The Public Trustee was established under The Public Trustee Act 1930. The Government Business Enterprises Act 1995 requires The Public Trustee to keep proper accounts and records of its transactions and affairs, in accordance with the accounting principles which generally apply in commercial practice.

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

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

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

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

#### *Impact of new and revised Accounting Standards*

In the current year, The Public Trustee has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. These include:

- *AASB 7 Financial Instruments Disclosures* replaces the presentation requirements of financial instruments in AASB 132 and introduces new financial disclosure requirements. There has been no financial impact on the financial statements.
- *AASB 2007-7 Amendments to Australian Accounting Standards* makes editorial amendments to six standards. The key change removes the encouragement in AASB 107 *Cash Flow Statements* to adopt a particular format for the cash flow statement. The Public Trustee did not intend to change any of its current accounting policies on adoption of AASB 2007-7;



accordingly there has been no financial impact to these financial statements.

#### *Impact of new and revised Accounting Standards not yet adopted*

The following new standard has been identified as one that will impact The Public Trustee in the period of initial application. Other new standards will not affect the financial statements of The Public Trustee.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised standard will become mandatory for the 30 June 2010 financial statements.

## **(b) REVENUE RECOGNITION**

### *Commission and Fees*

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

### *Funding of Community Service Obligations*

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

### *Interest and Rental Income*

Interest and rental income are recognised as they accrue.

## **(c) INVESTMENTS**

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

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

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

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

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

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

The capitalisation threshold for items of furniture and equipment is \$500.

## **(e) LEASED ASSETS**

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

### **Finance Leases**

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

### **Operating Leases**

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

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

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

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

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

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

The net amount of GST recoverable or payable is included as a current asset or liability in the Balance Sheet.

## **(h) EMPLOYEE ENTITLEMENTS**

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

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

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

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

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

## **(i) RECEIVABLES**

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

(j) **PAYABLES**

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

**NOTE 2: CHANGES IN ACCOUNTING POLICY**

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

**NOTE 3: INCOME FROM INVESTMENTS**

	2008	2007
	\$	\$
Income from the Common Fund	332,991	315,590
Other Interest Income	2,010	0
Rental Income	201,160	187,698
	<u>536,161</u>	<u>503,288</u>

## **NOTE 4:      CASH ASSETS**

	2008	2007
	\$	\$
Cash on Hand	1,050	1,050
Investment in Common Fund	6,444,323	6,430,040
<b>Total Cash Assets</b>	<b><u>6,445,373</u></b>	<b><u>6,431,090</u></b>

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

The investment in the Common Fund is carried at cost.

## **NOTE 5:      CURRENT RECEIVABLES**

Trade Debtors	429,438	421,838
<b>Total Receivables</b>	<b><u>429,438</u></b>	<b><u>421,838</u></b>

All trade debtors are expected to be settled in full within 60 days.

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

Prepayments	45,171	45,139
<b>Total Other Current Assets</b>	<b><u>45,171</u></b>	<b><u>45,139</u></b>

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

	2008	2007
	\$	\$
<b>Freehold Land at fair value</b>	<b><u>655,000</u></b>	<b><u>550,000</u></b>
<b>Buildings on Freehold land at fair value</b>	<b><u>1,530,000</u></b>	<b><u>1,512,500</u></b>
Improvements to Buildings, at cost	195,651	195,651
Accumulated Depreciation	<u>(195,651)</u>	<u>(195,651)</u>
<b>Total Improvements to Buildings</b>	<b><u>0</u></b>	<b><u>0</u></b>
Fixtures, Furniture and Equipment, at cost	795,033	746,140
Accumulated Depreciation	<u>(568,120)</u>	<u>(606,234)</u>
<b>Total Fixtures, Furniture and Equipment</b>	<b><u>226,913</u></b>	<b><u>139,906</u></b>
<b>Total Property, Plant and Equipment</b>	<b><u>2,411,913</u></b>	<b><u>2,202,406</u></b>

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

The fair values were updated at 30 June 2008 based on market valuations prepared by Brothers & Newton Pty Ltd as at that date. Fair values were previously updated on 30 June 2007.

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

	2008	2007
	\$	\$
<b>Freehold Land</b>		
Balance at beginning of year	550,000	485,000
Revaluation June 2008	105,000	65,000
	<u>655,000</u>	<u>550,000</u>
<b>Buildings on Freehold Land</b>		
Balance at beginning of year	1,512,500	1,310,000
Revaluation June 2008	17,500	202,500
	<u>1,530,000</u>	<u>1,512,500</u>
<b>Improvements to Buildings</b>		
Balance at beginning of year	0	11,958
Depreciation	0	(11,958)
	<u>0</u>	<u>0</u>
<b>Fixtures, Furniture and Equipment</b>		
Balance at beginning of year	139,906	72,511
Acquisitions	129,269	112,743
Depreciation	(42,262)	(45,348)
	<u>226,913</u>	<u>139,906</u>

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

## **NOTE 8: INVESTMENT PROPERTY**

Balance at beginning of year	2,882,500	2,500,000
Annual revaluation	217,500	382,500
	<u>3,100,000</u>	<u>2,882,500</u>

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

The values were updated at 30 June 2008 based on market valuations prepared by Brothers & Newton Pty Ltd as at that date.

## **NOTE 9: CURRENT PAYABLES**

	2008	2007
	\$	\$
Creditors	722,205	617,173
<b>Total Current Payables</b>	<b>722,205</b>	<b>617,173</b>

Trade creditors are normally settled within 30 days

## **NOTE 10: CURRENT PROVISIONS**

Annual Leave	240,735	230,602
Long Service Leave	52,386	74,041
Retirement Benefits	1,634,419	1,750,335
<b>Total Current Provisions</b>	<b>1,927,540</b>	<b>2,054,978</b>

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

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

Long Service Leave	273,348	365,230
Retirement Benefits	6,999,151	7,453,083
<b>Total Non-Current Provisions</b>	<b>7,272,499</b>	<b>7,818,313</b>

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

## **NOTE 12: RETAINED PROFITS**

Retained profits at beginning of year	4,098,748	4,447,762
Dividend Paid	(464,019)	(636,761)
Total recognised income and expense for the year	1,281,251	456,797
Transfer to Asset Revaluation Reserve	(122,500)	(169,050)
<b>Retained Profits at End of Year</b>	<b>4,793,480</b>	<b>4,098,748</b>



## **NOTE 13: CONTINGENT LIABILITIES**

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

## **NOTE 14: KEY MANAGEMENT PERSONNEL**

### **(a) Directors**

The following persons were directors of the Board during the year to 30 June 2008.

(1) Non executive directors:

Mrs A F Cunningham (Chairperson)  
Mr J R Fisher  
Mr C J Stephens  
Ms B Mathison  
Ms E F Thomas

(2) Executive director:

Mr P M Maloney (Chief Executive Officer)

### **(b) Other key management personnel**

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

Mr D M Hall	General Manager Corporate Services
Mr B P McManus	Corporate Solicitor
Mr P T Tierney	Manager Financial Operations
Mrs G A Cunningham	Manager Client Services
Mrs R Mee	Human Resources Manager

**(c) Key management personnel compensation**

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

	<b>2008</b>	<b>2007</b>
	\$	\$
Short Term employee benefits	675,469	591,377
Post employment benefits	90,176	59,014
Other long term benefits	13,937	12,690
Termination benefits	0	0
<b>Total</b>	<b><u>779,582</u></b>	<b><u>663,081</u></b>

**NOTE 15: GOING CONCERN**

These financial statements have been prepared on the going concern basis recognising that The Public Trustee will continue to function and fund itself on the same basis as for the year ended 30 June 2008.

**NOTE 16: CREDIT AND LOAN FACILITIES**

The Public Trustee maintains a credit card facility with a maximum limit of \$10,000. The unused credit amount as at 30 June 2008 was \$9,200. There are no other used or unused credit standby arrangements or loan facilities.

**NOTE 17: RELATED PARTY TRANSACTIONS**

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

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

Approximately 40% of staff are members of the Retirement Benefits Fund defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The Fund has Contributory members, Compulsory Preserved members and pensioners. The scheme was closed to new members on 15 May 1999.

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

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

(a) <b><u>Net Liability</u></b>	<b>2008</b>	<b>2007</b>
	\$	\$
Defined Benefit Obligation	10,077,962	10,958,113
Contributions tax liability	1,239,422	1,314,717
Total Defined Benefit Obligations	11,317,384	12,272,830
RBF Contributory scheme assets	(2,683,813)	(3,069,412)
<b>Deficit</b>	<b>8,633,571</b>	<b>9,203,418</b>
Current net liability	1,634,420	1,750,335
Non-current net liability	6,999,151	7,453,083
<b>Total Liability</b>	<b>8,633,571</b>	<b>9,203,418</b>
(b) <b><u>Funded Status</u></b>		
Funded	2,869,946	3,063,805
Unfunded	8,447,438	9,209,025
<b>Total Obligation</b>	<b>11,317,384</b>	<b>12,272,830</b>

(c) <b><u>Movement in Net Liability</u></b>	<b>2008</b>	<b>2007</b>
	\$	\$
Net liability in balance sheet at beginning of year	9,203,418	7,982,841
Expense recognised in income statement	604,421	633,579
Amounts recognised in the statement of recognised income and expense	(510,303)	1,219,059
Actual employer contributions	(663,965)	(632,061)
<b>Net liability in balance sheet at end of year</b>	<b><u>8,633,571</u></b>	<b><u>9,203,418</u></b>

(d) **Expense**

Employer Service Cost	201,393	265,779
Contribution tax expense	(8,506)	109
<b>Total Employer Service Cost</b>	<b><u>192,887</u></b>	<b><u>265,888</u></b>
Interest cost	620,354	554,536
Expected return on Plan assets	(208,820)	(186,845)
<b>Expense recognised</b>	<b><u>604,421</u></b>	<b><u>633,579</u></b>

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

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

Cumulative amount of Actuarial losses at beginning of year	1,659,674	440,615
Actuarial (gains) / losses recognised during year ending	(510,303)	1,219,059
<b>Cumulative amount of Actuarial losses at end of year</b>	<b><u>1,149,371</u></b>	<b><u>1,659,674</u></b>

<b>(f) <u>Total Defined Benefit Obligations Reconciliation</u></b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Total Defined Benefit Obligations at end of prior year	12,272,830	10,694,739
Employer Service Cost plus operating costs	192,887	265,888
Interest cost	620,354	554,536
Actual Participant contributions	80,834	91,202
Actual operating costs	30,057	(27,509)
Actual Benefit payments plus Contributions Tax	887,269	(781,110)
	<hr/>	<hr/>
Expected Defined Benefit Obligations at Year End	12,249,579	10,797,746
Actuarial (gain) / loss on liabilities	(932,195)	1,475,085
	<hr/>	<hr/>
Actual Total Defined Benefit Obligations at year end	<u>11,317,384</u>	<u>12,272,831</u>

**(g) Contributions Tax**

Defined Benefit Obligations at end of prior year	10,958,113	10,119,256
Fair value Plan assets at end of prior year	3,069,412	2,711,898
Net Obligation	<hr/> 7,888,701	<hr/> 7,407,358
Contributions Tax at end of prior year	1,314,717	575,483
Contributions tax expense	(8,506)	109
Expected Contributions Tax at year end	<hr/> 1,306,211	<hr/> 575,592
Actuarial (gain) / loss on contributions tax	(66,789)	739,124
	<hr/>	<hr/>
Actual Contributions Tax at year end	<u>1,239,422</u>	<u>1,314,717</u>

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

Fair value Plan assets at end of prior year	3,069,412	2,711,898
Estimated employer contributions	663,965	632,061
Estimated Participant contributions	80,834	91,202
Estimated operating costs	30,057	27,509
Estimated Benefit payments	887,269	781,110
Expected Return on Assets	208,820	186,845
Expected Assets at year end	<hr/> 3,105,705	<hr/> 2,813,386
Actuarial gain / (loss) on assets	(421,895)	256,026
Fair value Plan assets at year end	2,683,813	3,069,412
	<hr/>	<hr/>
Estimated Actual return on plan assets	<u>(147,433)</u>	<u>463,632</u>

(i) <b><u>Expected Return on Assets</u></b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Fair value Plan assets at end of prior year	3,069,412	2,711,898
Actual Employer contributions	663,965	632,061
Weighted for timing	311,982	316,031
Actual Participant contributions	80,834	91,202
Weighted for timing	40,417	45,601
Actual operating costs (admin + insurance)	30,057	27,509
Weighted for timing	15,029	13,755
Actual Benefit payments	887,269	781,110
Weighted for timing	443,635	390,555
Average expected assets	2,983,148	2,669,219
Assumed Rate of Return	7.00%	7.00%
Calculated Expected Return on Assets	208,820	186,845
Expected Return on Assets Used in Calculation	208,820	186,845

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

Defined benefit obligations (net of tax, prior year assumptions)	10,821,646	10,642,167
Contributions tax (prior year assumptions)	1,356,237	588,333
Defined benefit obligations (net of tax, current assumptions)	10,077,962	10,958,113
Actual contributions tax at year end	1,239,422	1,314,717
Actuarial (gain)/loss for year due to assumptions	(860,499)	1,042,330
Actuarial (gain)/loss for year due to experience	(71,696)	432,755
Actuarial (gain)/loss on assets	421,892	(256,026)
Actuarial (gain)/loss for year	(510,303)	1,219,059

## KEY ASSUMPTIONS

Key assumptions as at balance date and for following year expense		2008	2007
Discount rate:	<i>Gross of tax</i>	6.60%	6.00%
	<i>Net of tax</i>	6.50%	5.90%
Salary rate:		4.50%	4.50%
Expected return on plan assets (net of tax)		7.00%	7.00%
Inflation (pensions):		2.50%	2.50%
Tax rate for Employer contributions		14.36%	14.29%
Tax rate for Discount rate		2.25%	2.25%

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

## PLAN ASSETS

Asset disclosure	2008	2007
Australian equities	25%	30%
Overseas equities	20%	25%
Fixed interest securities	12%	20%
Property	38%	25%
Other	7%	0%

## HISTORY

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

	2008	2007	2006
	\$	\$	\$
Total Defined Benefit Obligation at end of year	11,317,384	12,272,830	10,694,739
Actual Assets at year end	(2,683,813)	(3,069,412)	(2,711,898)
Deficit / (Surplus)	8,633,571	9,203,418	7,982,841
Experience Adjustment on Liabilities	(71,696)	432,755	360,097
Experience Adjustment on assets	421,892	(256,026)	(175,746)

## NOTE 19: CASH FLOW STATEMENT

### (a) Reconciliation of Cash

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

	<b>2008</b>	<b>2007</b>
	\$	\$
Cash on hand	1,050	1,050
Cash Investment in Common Fund	344,323	330,040
<b>Cash at End of Year</b>	<b>345,373</b>	<b>331,090</b>
Cash Investment in Common Fund	344,323	330,040
Balance of Investment in Common Fund	6,100,000	6,100,000
<b>Investment in Common Fund</b>	<b>6,444,323</b>	<b>6,430,040</b>

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

Operating Profit (Loss)	1,264,918	1,247,861
Profit from Asset Revaluations	(217,500)	(480,950)
Depreciation expense	42,262	54,306
Increase in Provisions for Employee Benefits	(266,088)	4,772
Increase (Decrease) in Creditors	105,064	143,369
(Increase) Decrease in Debtors	(7,600)	28,206
Dividend Paid	(464,019)	(636,761)
Contribution to RBF liability	0	376,809
Income Tax Equivalents Paid	(313,485)	(466,236)
Sundry	0	(18,877)
<b>Total Cash Provided</b>	<b>143,552</b>	<b>252,499</b>



## **NOTE 20: LEASING COMMITMENTS**

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

	2008	2007
	\$	\$
Amounts payable not later than 1 year	87,950	17,560
Payable later than 1 year and less than 5 years	138,299	7,280
<b>Total Amounts Payable</b>	<b><u>226,249</u></b>	<b><u>24,840</u></b>

During the financial year ended 30 June 2008, \$49,834. was recognised as an expense in the Income Statement in respect of operating leases (\$80,705 in 2006-2007).

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

Amounts due for the audit of financial reports:

Tasmanian Audit Office	<u>20,380</u>	<u>22,318</u>
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No other services are provided by Tasmanian Audit Office.

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

The Public Trustee received no Government appropriations or grants during the year ended 30 June 2008.

In accordance with an agreement for The Public Trustee to undertake certain Community Service Obligations on behalf of the Government, The Public Trustee was entitled to receive a payment of \$1,070,414 for services supplied during the year (\$793,000 in 2006-2007).

## **NOTE 23: SUBSEQUENT EVENTS**

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

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

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

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Operating Profit</b>	<b>1,264,918</b>	<b>1,247,861</b>
Income Tax expense calculated at 30%	379,476	374,358
Tax benefit from building allowance	(24,999)	(24,999)
Profit on asset revaluations not assessable	0	(29,535)
<b>Income Tax Expense on Operating Profit</b>	<b>354,477</b>	<b>319,824</b>
(Expense) Income recognised direct to equity	(529,728)	(673,200)
<b>Tax Effect of Adjustments direct to equity</b>	<b>(158,918)</b>	<b>(201,960)</b>
Income Tax Expense on Operating Profit	354,477	319,824
Tax Effect of Adjustments direct to equity	(158,918)	(201,960)
<b>Total Income Tax Expense</b>	<b>195,558</b>	<b>117,864</b>
<b>Analysis of Total Income Expense</b>		
Income Tax Expense, current year	(89,549)	324,208
Increase (decrease) Deferred Income Tax Liability	(28,499)	162,160
(Increase) decrease Deferred Income Tax Asset	313,606	(368,504)
<b>Total Income Tax Expense</b>	<b>195,558</b>	<b>117,864</b>

### **(b) Provision for Current Income Tax**

Balance at beginning of year	41,214	183,242
Income tax paid	(41,214)	(183,242)
PAYG instalments paid	(272,271)	(282,994)
Current year's income tax expense (benefit)	219,957	324,208
<b>Total Provision for Current Income Tax</b>	<b>(52,314)</b>	<b>41,214</b>

### **(c) Deferred Income Tax Liability**

Timing differences between taxable and accounting income	<b>267,465</b>	<b>165,465</b>
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### **(d) Deferred Income Tax Asset**

Timing differences between taxable and accounting income	<b>2,790,530</b>	<b>2,981,968</b>
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## **NOTE 25: STATEMENT OF TAXATION EQUIVALENTS**

	2008	2007
	\$	\$
Operating Profit as per Financial Statement	<u>1,264,918</u>	<u>1,247,861</u>
<b><u>ADD</u></b>		
Depreciation as per accounts	42,262	57,305
Net increase (decrease) in annual leave provision	10,133	(39,902)
Net increase (decrease) in long service leave provisions	(113,538)	(5,119)
Net increase in staff retirement provisions	(162,620)	378,327
Increase (decrease) in accrued expenses	34,600	36,322
(Increase) decrease in accrued rental income	<u>0</u>	<u>11,016</u>
<b>TOTAL ADDBACKS</b>	<b><u>(189,163)</u></b>	<b><u>437,949</u></b>
<b><u>DEDUCT</u></b>		
Tax Depreciation	41,735	40,836
Building Allowance	83,329	83,329
Profit on Asset Revaluations	<u>217,500</u>	<u>480,950</u>
<b>TOTAL SUBTRACTIONS</b>	<b><u>342,564</u></b>	<b><u>605,115</u></b>
<b>TAXABLE INCOME</b>	<b><u>733,191</u></b>	<b><u>1,080,695</u></b>
Current Tax Payable on Operating Profit	219,957	324,208
<b>CURRENT TAX PROVISION ON OPERATING PROFIT</b>	<b><u>219,957</u></b>	<b><u>324,208</u></b>

## **NOTE 26: ADMINISTRATION EXPENSES**

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

## NOTE 27: FINANCIAL INSTRUMENTS

### (a) Interest Rate Risk

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

	Weighted Average Effective Interest Rate %	Variable Interest Rate \$	Non-interest Bearing \$
<b>2008 Financial Assets</b>			
Cash		0	1,050
Investment in Common Fund	7.03%	6,444,323	0
Debtors		0	429,438
		<u>6,444,323</u>	<u>430,488</u>
Total Financial Assets		<u>6,444,323</u>	<u>430,488</u>
<b>2008 Financial Liabilities</b>			
Creditors		0	722,205
		<u>0</u>	<u>722,205</u>
<b>2007 Financial Assets</b>			
Cash		0	1,050
Investment in Common Fund	5.49%	6,430,040	0
Debtors		0	421,838
		<u>6,430,040</u>	<u>422,888</u>
Total Financial Assets		<u>6,430,040</u>	<u>422,888</u>
<b>2007 Financial Liabilities</b>			
Creditors		0	617,173
		<u>0</u>	<u>617,173</u>

### (b) Net Fair Value

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

(c) Interest Rate Sensitivity Analysis

	Carrying Amount \$	Fall of 1% Impact on Result    Impact on Equity \$		Rise of 1% Impact on Result    Impact on Equity \$	
<b>2008 Financial Assets</b>					
Cash	1,050	0	0	0	0
Investment in Common Fund	<u>6,444,323</u>	<u>(64,443)</u>	<u>(45,110)</u>	<u>64,443</u>	<u>45,110</u>
Debtors	<u>429,438</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financial Assets	<u><b>6,873,761</b></u>	<u><b>(64,443)</b></u>	<u><b>(45,110)</b></u>	<u><b>64,443</b></u>	<u><b>45,110</b></u>
<b>2008 Financial Liabilities</b>					
Creditors	<u>722,205</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>2007 Financial Assets</b>					
Cash	1,050	0	0	0	0
Investment in Common Fund	<u>6,430,040</u>	<u>(64,300)</u>	<u>(45,010)</u>	<u>64,300</u>	<u>45,010</u>
Debtors	<u>421,838</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financial Assets	<u><b>6,851,878</b></u>	<u><b>(64,300)</b></u>	<u><b>(45,010)</b></u>	<u><b>64,300</b></u>	<u><b>45,010</b></u>
<b>2007 Financial Liabilities</b>					
Creditors	<u>617,173</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The Public Trustee has no borrowings and there is no interest rate risk associated with liabilities.

(d) Credit Risk Management

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

(e) Policies and Conditions

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

## NOTE 28: INVESTMENT OF CLIENT FUNDS

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

The details of the fund assets as at 30 June 2008 are as follows.

<u>Asset Class</u>	Common Fund	No. 1 Fund	No. 2 Fund	No. 3 Fund
	\$	\$	\$	\$
Cash	(196,087)	4,576,064	3,462,957	2,468,034
Cash Indexed Fund	53,010,660	0	0	0
Australian Equities	0	1,374,993	8,015,807	5,797,252
Australian Fixed Interest	0	3,407,666	10,020,822	7,080,639
Property Securities	0	492,867	2,892,514	1,948,323
International Equities	0	998,213	5,747,334	4,086,198
Debtors	11,336	0	0	0
<b>Total Assets</b>	<b>52,825,909</b>	<b>10,849,803</b>	<b>30,139,434</b>	<b>21,380,446</b>
<u>Equity</u>				
Client Funds	46,381,586	10,849,803	30,139,434	21,380,446
The Public Trustee's Funds	6,444,323	0	0	0
<b>Total Equity</b>	<b>52,825,909</b>	<b>10,849,803</b>	<b>30,139,434</b>	<b>21,380,446</b>

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

	Common Fund	No. 1 Fund	No. 2 Fund	No. 3 Fund
	\$	\$	\$	\$
<b>Fund Value 01 Jul 2007</b>	53,085,542	10,966,995	33,857,195	25,759,946
Capital Deposits	88,114,243	1,365,000	4,360,000	1,535,000
Capital Withdrawals	(88,373,876)	(930,000)	(1,645,000)	(775,000)
Net Earnings Retained in the Fund	0	(552,192)	(6,432,761)	(5,139,500)
<b>Fund Value 30 Jun 2008</b>	<b>52,825,909</b>	<b>10,849,803</b>	<b>30,139,434</b>	<b>21,380,446</b>
Net Earnings Retained in the Fund	0	(552,192)	(6,432,761)	(5,139,500)
Net Earnings Distributed to Investors	3,366,115	898,767	3,469,546	2,489,413
<b>Total Fund Net Earnings</b>	<b>3,366,115</b>	<b>346,575</b>	<b>-2,963,215</b>	<b>-2,650,087</b>

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

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

<u>Equity</u>				
Client Funds	46,655,503	10,966,995	33,857,195	25,759,947
The Public Trustee's Funds	6,430,039	0	0	0
<b>Total Equity</b>	<b>53,085,542</b>	<b>10,966,995</b>	<b>33,857,195</b>	<b>25,759,947</b>

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

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

# Independent Audit Report



Tasmanian Audit Office

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## INDEPENDENT AUDIT REPORT

To Members of the Parliament of Tasmania

The Public Trustee

Financial Statements for the Year Ended 30 June 2008

### Report on the Financial Statements

I have audited the accompanying financial statements of The Public Trustee, which comprise the balance sheet as at 30 June 2008, the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the directors.

#### *The Responsibility of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Section 52(1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Public Trustee's preparation and fair presentation of the financial statements in order to design audit

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procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Public Trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### **Independence**

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

### **Auditor's Opinion**

In my opinion the financial statements of The Public Trustee:

- (a) present fairly, in all material respects, the financial position of The Public Trustee as at 30 June 2008, and of its financial performance, cash flows and changes in equity for the year then ended; and
- (b) are in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards (including Australian Accounting Interpretations).

## **TASMANIAN AUDIT OFFICE**



N G I'Anson  
**MANAGER – FINANCIAL AUDITS**  
**Delegate of the AUDITOR-GENERAL**

HOBART  
27 October 2008

# Public Interest Disclosures Act 2002

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

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

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