Annual Report 2019/2020

Public Trustee

Every moment counts

25 September 2020

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 11
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 2020.

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

Yours sincerely

Mark Scanlon
Chairperson
The Board of the Public Trustee

David Benbow
Chief Executive Officer
Public Trustee

Cc: The Auditor-General

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's and CEO's Report

It is our pleasure to present the Annual Report for the year ended 30 June 2020.

Financial Year Result

The organisation achieved a profit after tax for the financial year of $809,571 compared with a profit last year of $657,419. Total comprehensive loss for the year ended 30 June 2020 amounted to $31,935 compared to a comprehensive profit of $313,870 for the financial year ended 30 June 2019.

Factors contributing to the total comprehensive loss were:

- total revenue from activities was 4% higher than last year;
- of total revenue, fees and commission was consistent with last year and Community Service Obligation funding increased by 2.3%;
- total expenses from ordinary activities increased by 5.2% during the year. Employee benefits expenses increased by 8.3% on the prior year. Employee benefits expenditure increased within budget;
- Depreciation expense increased and occupancy expense decreased when compared to the prior year as a result of adopting the new lease accounting standard;
- dividend distributions on the Public Trustee's investment of its corporate funds was $1,163,407, up from $821,660 in 2019;
- corporate investments decreased by $1,356,344 in value (before tax) compared with an increase of $515,295 last year; and
- the annual re-measurement of the organisation's defined benefit liability resulted in income of $195,646 (before tax) compared to a re-measurement expense of $989,155 in 2019.

Strategy

The organisation continued to progress strategic actions central to these strategic themes:

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

During the year under review, the organisation implemented a revision to the capital commission scales and a risk management framework. Solid progress was made on culture development and Information Technology (IT) strategy.

COVID-19 resulted in strategy going on pause in March 2020.

COVID-19

Since the emergence of the global pandemic, the Public Trustee has continued to deliver its full range of customer services, albeit via the use of technology versus person to person contact.

Revenues from normal business activity has been relatively unaffected by the pandemic, whilst returns from managed investments have been volatile since March 2020.

During COVID-19, our focus has been on keeping our people safe and maintaining continuity of service. The organisation implemented IT solutions and changes to operations to allow staff to work from home. Work-safe plans have been implemented to allow staff to return to the office.

The organisation also implemented two new policies: Resilience Policy and Pandemic Policy. The organisation also updated and tested its Business Continuity Plans.

Community Service Obligation Agreement with Government

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 and funding has been provided for a further 12 months to 30 June 2021.

This important service provides for the financial management of affairs for clients appointed to the Public Trustee by order of the Guardianship and Administration Board (GAB).

As at 30 June 2020, the Public Trustee managed the affairs of 889 Community Service Obligation (CSO) Represented Person (RP) clients, an increase of 47 clients in comparison with the same period last year.

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

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 2020 is $107,902. This dividend represents 90% of the Public Trustee's operating profit after tax for the year ended 30 June 2020 less the Community Service Obligation funding gap.

Governance Matters

Corporate governance continues to be a matter of focus for the Board. All Directors are graduates of the Australian Institute of Company Directors (AICD) through which they maintain their professional development and corporate governance knowledge. A review of Board performance is undertaken annually.

Ms Liz Gillam's term as a Director of the Public Trustee ended on 5 September 2020. On behalf of the Board, we thank Ms Gillam for her service to the organisation and wish her well for the future. A new Director appointment to replace Ms Gillam is subject to Government approval at the time of submitting this report.

Beneficiary Survey

Public Trustee has again conducted a client satisfaction survey with beneficiaries of deceased estates at the completion of administration.

The overall objective of the survey is to gain understanding and insights into client experiences and the administration process.

The results of these surveys are highly valued and have been used to develop and implement a range of operational improvements. The main aim of these changes is to improve the client experience and our service delivery.

Overall, the 2019/20 beneficiary satisfaction survey found that satisfaction with our client service delivery to this group remained high. During this year, 410 surveys were sent and a response rate of 12% was achieved.

Of those beneficiaries that responded, 88% stated that Public Trustee provided an efficient and accurate administration service.

Looking to the future, we will use the insights and information obtained through these surveys when implementing targeted service delivery changes that increase client satisfaction and improve efficiency.

Business Development Activities

In response to the Government's restrictions and our commitment to keep our staff, client and community safe, the Public Trustee transitioned to phone and online appointments State-wide.

To promote the changes in how we delivered our services the Public Trustee ran ads in the local newspapers and launched the 'Planning for your Family's future should always be accessible' campaign. This campaign ran in conjunction with the previous 'What is estate planning?' display ad campaign and the 'Prepare a Will' remarketing campaign.

Most of the 2020 community seminars and regional marketing events were cancelled and are being replaced with virtual events.

Highlight events from 2019/20.

Seniors week 2019 - The Public Trustee provided expert advice on enduring powers of attorney and estate planning at Advocacy Tasmania's state wide 'Protect your rights and your choices as you age' information days .

Partnering with key stakeholders to discuss the importance of estate planning with their member and the wider community.

The Public Trustee visited New Norfolk and Huonville to provide estate planning services to the local communities.

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

	2019/20	**2018/19**
New Wills	321	340
Revision Wills	419	555
Non-executor Wills	157	115
Non-executor revised Wills	16	19
Seminars and presentations held	16	25
Seminar and presentation attendees	304	327
Information video views (via YouTube)	1,163	1,265

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.

Work Health and Safety (WHS)

The Public Trustee is committed to ensuring that no person will suffer a preventable injury and/or illness in the workplace. At all times we manage the risk of injury and/or illness ensuring those risks are understood and integrated into our work health and safety plans.

During 2019-2020 our commitment to the protection of our staff continued with the periodic review and updating of our WHS Risk Register and Annual Action Plan. The WHS Group (Consultative) Committee continued to meet on a quarterly basis, 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 Executive Management Team, Board and Audit Committee.

Ergonomic workstation assessments continued to be included as part of the employee induction process and on demand by existing employees. Hazard inspections and workstation safety reviews were conducted in accordance with requirements.

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

Employee Wellbeing

We continue to apply a proactive approach to employee wellbeing. The following programs and initiatives were provided during 2019-2020 to support positive health outcomes for employees:

- Mental Health First Aid training;
- 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

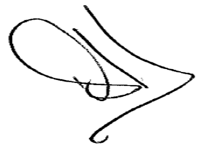
Workplace Diversity

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

Conclusion

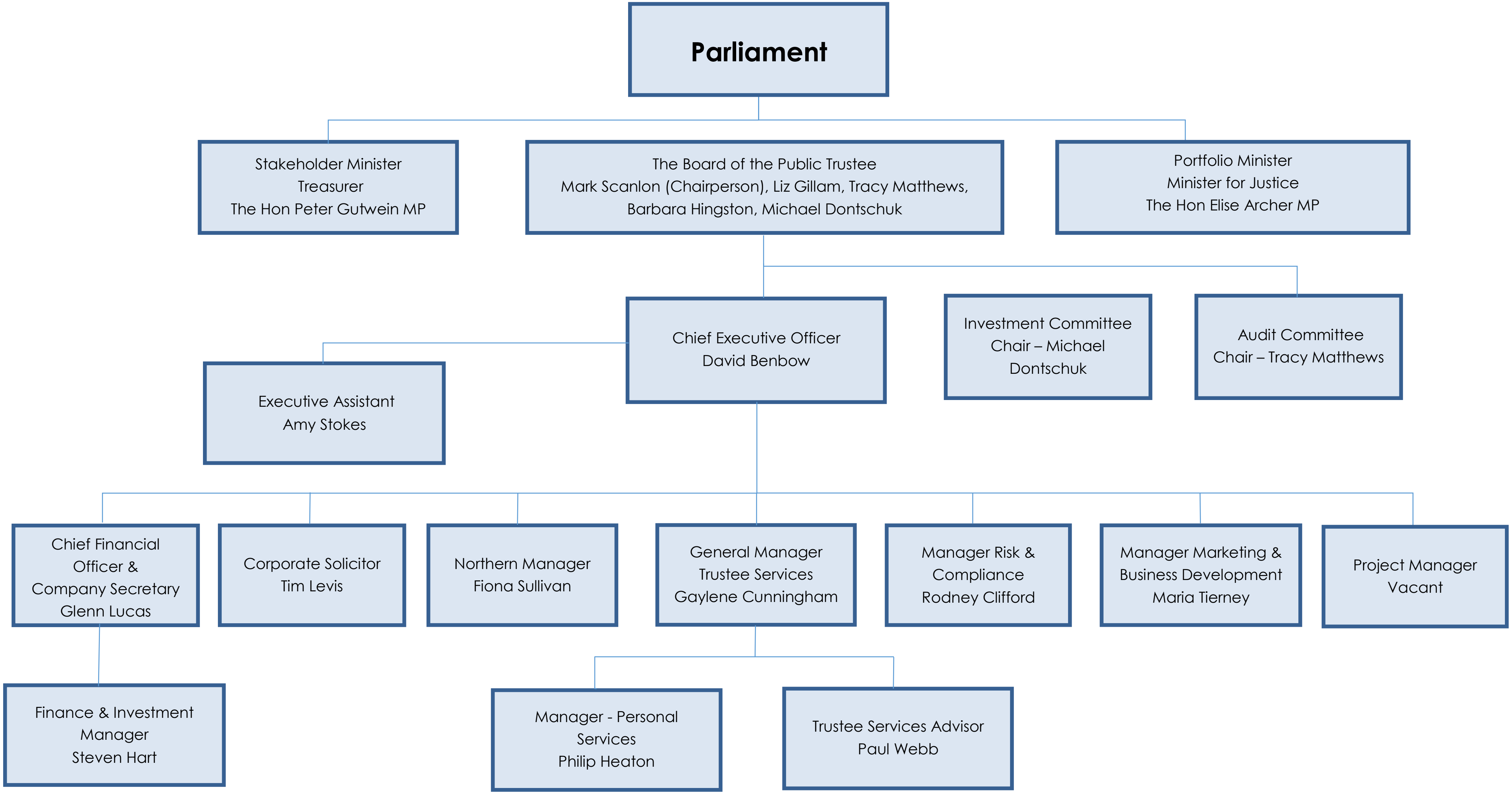
The achievements this year would not have been possible without the ongoing commitment and contribution of our Directors and Employees. In a year marked by uncertainty, disruption and unimagined challenges everyone has focused on doing whatever is necessary to ensure that the Public Trustee provides the Tasmanian Community with the highest standard of service in an environment which may reflect the way our business operates in the future.

Mark Scanlon
Chairperson



David Benbow
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. Directors are appointed after consideration by the Government Director Selection Advisory Panel.

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

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

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

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

Board members:

Mark Scanlon MBA BBus FCPA FAICD
Chairperson and Non-Executive Director
Member of Investment Committee
Member of Audit Committee
Appointed 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 BA, BSW, MAASW GAICD
Non-Executive Director
Member Investment Committee
Appointed May 2016
Current term: 29 July 2019 to 28 July 2022

Barbara brings both executive and governance experience in the not-for-profit sector to the Board. She is a professional non-executive director, also consulting to government and non-government organisations in governance, strategy, risk management, service performance, quality and safety and client /stakeholder engagement.

Barbara has worked with national, state wide and local organisations in the health, mental health and community services sector in the ACT, Queensland, Victoria, and Tasmania. Between 2013 - 2019 she was a Director of the Board of Dental Health Services Victoria. 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. Barbara Chairs Scope's Audit and Risk Committee and is a member of its Business Development Committee.

On the Board of Public Trustee Tasmania, she is also a member of its Investment Committee while 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 2014-18.

Liz Gillam LLB
Non-Executive Director
Member of the Audit Committee
Appointed December 2013
Current 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
Appointed 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 Tasmanian Building and Construction Industry Training Board and Housing Connect and Commodore of the Royal Yacht Club of Tasmania.

Michael Dontschuk BSc (Hons), FFTP, GAICD
Non-Executive Director
Chair of the Investment Committee
Appointed 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, Motor Accidents Insurance Board (Tasmania), Australia Ratings, Eticore and Public Trustee.

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

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 2020 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
Liz Gillam	10	10	4	4	N/A	N/A
Barbara Hingston	10	10	N/A	N/A	4	4
Tracy Matthews	11	11	4	4	N/A	N/A
Michael Dontschuk	11	11	N/A	N/A	5	5

(1) Number eligible to attend

Disclosure requirements

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

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 2019-20, and estimates for the following three years is detailed in the tables below.

Financial Returns to Government

	Target	Estimates		
	2019-20	2020-21	2021-22	2022-23
Dividends Paid ($ ‘000)	-	-	-	-
Tax Equivalents Paid/(Refund) ($ ’000)	154	22	126	119
Total	154	22	126	119

Financial Targets

	Target	Estimates		
	2019-20	2020-21	2021-22	2022-23
Operating Expenditure ($’000)	8,374	8,546	8,806	9,003
Operating Profit/(Loss) After Tax ($’000)	56	331	314	346
Total Comprehensive Income ($’000)	237	512	495	527
Capital Expenditure ($ ‘000)	100	100	100	100
Operating Margin	1.01	1.05	1.05	1.05
Return on Assets (%)	0.3%	1.9%	1.7%	1.9%
Return on Equity (%)	2.6%	5.4%	5.0%	5.0%
Capital Adequacy (%)	29.2%	31.0%	32.8%	34.5%

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	Estimates[1]		
	2019-20	2020-21	2021-22	2022-23
Number of total new wills written	1,300	1,500	2,000	2,500
Beneficiary survey results (overall satisfaction rating)	85%	90%	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

[1] Targeted to be equal to or greater than estimates

- Management of assets for Represented Persons with a gross asset value of less than $100,000.

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

CSO Funding	Target 2019-20	Estimates 2020-21	2021-22	2022-23
Community Service Obligations ($ '000)	2,115	2,162	2,209	2,257

10. Performance against Statement of Corporate Intent

The Statement of Corporate Intent sets out the key financial and non-financial targets for 2019-20. The actual performance against these targets is shown below.

Financial Returns to Government

	Target 2019-20	**Actual 2019-20**
Dividends Paid ($ ‘000)	-	36
Tax Equivalents Paid / (Refund) ($ ’000)	154	122
Total	154	158

Financial Targets

	Target 2019-20	**Actual 2019-20**
Operating Expenditure ($ ‘000)	8,374	8,302
Operating Profit After Tax ($’000)	56	810
Total Comprehensive Income / (Loss) ($000)	237	(31)
Capital Expenditure ($ ‘000)	100	187
Operating Margin	1.01	1.13
Return on Assets (%)	0.3%	(0.1%)
Return on Equity (%)	2.6%	(0.3%)
Capital Adequacy (%)	29.2%	24.7%

The key financial target results have been impacted by the unfavourable fair value movement in investments in managed funds.

Non-Financial Targets

	Target 2019-20	Actual 2019-20
Number of new Wills written	520	321
Number of revised Wills written	611	419
Number of non-executor Wills written / re-written	169	173
Total wills written	1,300	913
Beneficiary survey results (%)	85%	80%
Will client survey results (%)	100%	99%

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 2020 the Public Trustee employed 52.96 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 2020, matters classified as Community Service Obligations accounted for 57% (2019: 57%) of the matters administered by the Public Trustee. The net avoidable cost to meet these obligations for the 2020 financial year was $3,372,787 (2019: $2,623,632).

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 2020 financial year was $2,115,000 (2019: $2,068,000).

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 is to ensure that its internal policies and procedures comply with all its 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 2020 is as follows:

	Number of files reviewed by compliance	Files with items of non-compliance raised
July 2019 – June 2020	35	5

2 *Monitoring*

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

Performance:

Trusts

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

Estates

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	99
Deceased estate procedures fully explained	85	100
Grant of administration	95	92
TPT services letter dispatched	85	100
Completion of absolute deceased estates	80	89

Represented persons

Standard	Agreed Benchmark	Final result
	%	%
Initial client contact	90	100
Attendance at GAB hearing	100	99
Initial management plan: * initial statement * prudent person review * TPT fee collection	85	100
Preparation of Annual Financial Plan * Annual statement	95	99
Preparation of Admin Order review report	95	100
Pension review	90	100
Preparation and lodgement of taxation requirements	100	100
Client visit	80	100

3 Staffing

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

Performance: During the reporting period, six Trustee Services staff were appointed and had undertaken a specific CAM Induction Program. This program follows the generic induction program delivered to all new permanent Public Trustee employees. Further, the program provides new CAMs with the specific knowledge and skills required to undertake their role. The duration of the program is approximately six months.

4 Complaints

Performance indicator: The Public Trustee has in place a comprehensive policy on complaints handling including timeframes for resolving complaints.

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	-	-	-
Represented persons	8	2	6
Trusts	1	-	1
Total	**9**	**2**	**7**

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 2020 included:

- Continuous improvement to TACT (our key trustee services operating system) and the Client Management System (CMS);
- Implementation of a Business Services Unit
- Records Information Management Project;
- Development 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.

Business Services Unit

The Business Services Unit (BSU) commenced operations during the year ended 30 June 2020. Work continues to transition responsibilities to this team to increase the capacity of Client Account Management staff to provide an improved client experience.

Records Information Management project

Records are vital assets that support business operations, they enable access to required information for operations and preserve corporate memory. They enable efficient operations and the ability to meet accountability and compliance requirements. Sound record keeping practices are essential to enable a well-managed organisation.

The implementation of this project has continued, with recent effort focussing on document management and destruction.

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.

A software application solution has been acquired and is in user acceptance testing phase.

Personal Services Team service delivery review

Scoping has commenced on the Personal Services Team Service Delivery Review project. This project is intended 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.

12. Financial Statements

Public Trustee
Every moment counts

ABN 11 223 649 773

Financial Statements
30 June 2020

Auditor's Independence Declaration

Tasmanian
Audit Office

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24 September 2020

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 2020, 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

Stephen Morrison
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 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenue	4	**8,170**	7,854
Other income	5	**1,191**	879
Total revenue		**9,361**	8,733
Administrative expenses		**(1,695)**	(1,708)
Depreciation expense		**(618)**	(268)
Interest expense		**(47)**	-
Employee benefits expense	6	**(5,361)**	(4,952)
Finance expense	6	**(415)**	(506)
Occupancy expenses		**(166)**	(461)
Total expenses		**(8,302)**	(7,895)
Profit before income tax equivalent		**1,059**	838
Income tax equivalent expense	7a	**(249)**	(180)
Profit for the year		**810**	658
Other comprehensive income / (loss)			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	18	**196**	(989)
Related tax	7c	**(54)**	272
		142	(717)
Items that are or may be reclassified to profit or loss:			
Fair value movement in investments in managed funds		**(1,356)**	515
Related tax	7c	**373**	(142)
		(983)	373
Other comprehensive loss, net of tax		**(841)**	(344)
Total comprehensive income / (loss)		**(31)**	314

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2020

	Note	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	11	**4,847**	4,189
Trade and other receivables	12	**1,397**	837
Prepayments		**54**	71
Total current assets		**6,298**	5,097
Non-current assets			
Other financial assets	13	**12,555**	13,923
Deferred tax assets	16	**3,628**	3,320
Plant and equipment	14	**1,178**	1,254
Right of use assets	20	**1,447**	-
Total non-current assets		**18,808**	18,497
Total assets		**25,106**	23,594
Liabilities			
Current liabilities			
Trade and other payables	15	**543**	551
Current tax liabilities		**249**	132
Lease liabilities	20	**284**	-
Provisions	17	**1,269**	1,116
Total current liabilities		**2,345**	1,799
Non-current liabilities			
Provisions	17	**12,625**	12,796
Lease liabilities	20	**1,204**	-
Total non-current liabilities		**13,829**	12,796
Total liabilities		**16,174**	14,595
Net assets		**8,932**	8,999
Equity			
Retained earnings		**8,309**	7,393
Reserves	19	**623**	1,606
Total equity		**8,932**	8,999

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2020

	Note	Fair value reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2018		1,233	7,379	8,612
Total comprehensive income				
Profit		-	658	658
Prior Period Adjustment – AASB15	30(n)	-	93	93
Other comprehensive income		373	(717)	(344)
Total comprehensive income		373	34	407
Transactions with owners of the Entity				
Dividends	10	-	(20)	(20)
Total transactions		-	(20)	(20)
Balance at 30 June 2019		1,606	7,393	8,999
Balance at 1 July 2019		**1,606**	**7,393**	**8,999**
Total comprehensive income / (loss)				
Profit		**-**	**810**	**810**
Other comprehensive income / (loss)		**(983)**	**142**	**(841)**
Total comprehensive income / (loss)		**(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**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows used in operating activities			
Receipts from clients		**8,266**	8,053
Payments to suppliers and employees		**(7,813)**	(8,017)
Interest received		**31**	57
Income tax equivalent paid		**(122)**	(332)
Net cash provided by / (used in) operating activities	21	**362**	(239)
Cash flows from investing activities			
Investments – placed		**-**	(900)
Distributions from financial assets		**847**	1,439
Purchase of plant and equipment		**(187)**	(199)
Net cash provided by investing activities		**660**	340
Cash flows used in financing activities			
Lease payments		**(281)**	-
Interest Payments		**(47)**	-
Dividends paid		**(36)**	(20)
Net cash used in financing activities		**(364)**	(20)
Net increase in cash held		**658**	81
Cash and cash equivalents at the beginning of year	11	**4,189**	4,108
Cash and cash equivalents at the end of year	11	**4,847**	4,189

The accompanying notes form part of these financial statements.

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

Note 1. Reporting entity

The Public Trustee ("the entity") is a for-profit Tasmanian Government Business Enterprise operating since 1853 offering professional, independent trustee services to the Tasmanian community. 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 25 September 2020. 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 (n) for further information.

	2020 $'000	2019 $'000

Note 4. Revenue

	2020 $'000	2019 $'000
Fees and commissions	**5,859**	5,694
Commissions from contracts with customers – estate administration	**196**	92
Funding of community service obligations	**2,115**	2,068
	8,170	7,854

Contracts with Customers – capital commission still to be earned on open estate administrations as at the reporting date totalled $196,000. 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

	2020 $'000	2019 $'000
Dividends received or receivable from other persons	**1,163**	822
Interest received from other persons	**28**	57
	1,191	879

Note 6. Net profit for the year

Profit before income tax includes the following specific expenses:

Expenses

	2020 $'000	2019 $'000
Employee benefits expense		
- wages and salaries	**4,383**	3,804
- defined benefits superannuation service cost (note 18)	**115**	123
- long service leave	**129**	32
- recreation leave	**112**	385
- superannuation	**382**	370
- other associated personnel expenses	**240**	238
	5,361	4,952
Finance expense		
- defined benefits superannuation interest cost (note 18)	**415**	506

	2020 $'000	2019 $'000

Note 7. Tax equivalent expense

a. The components of income tax equivalent expense comprise:

	2020 $'000	2019 $'000
Current tax	**239**	208
Deferred tax	**10**	(28)
	249	180

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

	2020 $'000	2019 $'000
Prima facie tax payable on profit before income tax at 27.5% (2019: 27.5%)		
- Entity	**291**	230
- Entertainment	**2**	3
- Under / (over) provision for income tax in prior years	**(2)**	-
Less tax effect of:		
- available franking credits	**(38)**	(49)
- foreign tax offset	**(4)**	(4)
Income tax attributable to entity	**249**	180

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

	2020 $'000	2019 $'000
Remeasurement of defined benefit liability		
Before tax amount	**196**	(989)
Income tax equivalent (expense) / benefit	**(54)**	272
Net-of-tax amount	**142**	(717)
Fair value movement in investments in managed funds		
Before tax amount	**(1,356)**	515
Income tax equivalent benefit / (expense)	**373**	(142)
Net-of-tax amount	**(983)**	373

Note 8. Key management personnel compensation

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

	Director Remuneration		Executive Remuneration		Consolidated	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Short-term employee benefits	175	169	844	708	1,019	877
Post-employment benefits	16	16	83	69	99	85
Other long-term employee benefits	-	-	32	15	32	15
	191	**185**	**959**	**792**	**1,150**	**977**

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

For Executive 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:

2020 Director Remuneration[1]

Name	Position	Period	Director Fees $'000	Committee Fees $'000	Superan-nuation[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**

2019 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	5	4	-	49
Ms L Gillam	Director	Full term	28	3	3	-	34
Mr M Dontschuk	Director	Full term	28	2	3	-	33
Ms T Matthews	Director	Full term	28	5	3	-	36
Ms B Hingston	Director	Full term	28	2	3	-	33
Total			**152**	**17**	**16**	**-**	**185**

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.

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 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.

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

2020 Executive 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 2020

(b) Executive remuneration (continued)

2019 Executive Remuneration

Name	Position	Period	Base Salary[1] $'000	Short-Term Incentive Payments[2] $'000	Superannuation[3] $'000	Vehicles[4] $'000	Other Monetary Benefits[5] $'000	Other Non-Monetary Benefits[6] $'000	Total Remuneration $'000	Termination Benefits[7] $'000	Other Long-Term Benefits[8] $'000	Total $'000
Mr D Benbow	CEO	Full year	192	-	18	19	-	-	229	-	2	231
Mr G Lucas	CFO & Company Secretary	Full year	126	-	12	-	-	-	138	-	2	140
Ms G Cunningham	General Manager Trustee Services	Full year	122	-	15	-	-	-	137	-	4	141
Mr R Clifford	Manager Risk & Compliance	Full year	107	-	10	-	-	-	117	-	3	120
Mr T Levis	Corporate Solicitor	Full year	133	-	13	-	-	-	146	-	4	150
Ms F Sullivan	Northern Regional Manager	From 27/5/19	9	-	1	-	-	-	12	-	-	12
Total			**689**	**-**	**69**	**19**	**-**	**-**	**777**	**-**	**15**	**792**

(b) Executive remuneration (continued)

Executive 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 Executives.
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 an Executive'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 the Executive, either directly or indirectly.
6- There were no other Non-Monetary benefits during FY2020.
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.

Executive remuneration

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

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

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

The terms of employment of the Chief Executive Officer contains a termination clause that requires the senior Executive or the Board to provide a minimum notice period of up to 6 months prior to termination of the contract. Employment contracts have durations not exceeding five years.

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 Senior Executives.

Note 9. Auditor's remuneration

	2020 $	2019 $
Remuneration of the auditor for:		
- auditing the financial statements	**31,750**	31,750

Note 10. Dividends

	2020 $'000	2019 $'000
Declared and paid	**36**	20

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.

Dividend declared after the reporting period

On 28 August 2020, the Board recommended to the Treasurer and Minister for Justice a dividend totalling $107,902 in respect of the year ended 30 June 2020.

	2020 $'000	2019 $'000

Note 11. Cash and cash equivalents

	2020 $'000	2019 $'000
Short term bank deposits	**4,847**	4,189
	4,847	4,189

The effective interest rate on short-term bank deposits was between 0.2% and 1.2% (2019: between 1.2% and 1.6%).

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:

	2020 $'000	2019 $'000
Cash and cash equivalents	**4,847**	4,189

In its capacity as trustee and financial administrator, the entity holds funds on behalf of it clients that are not available for use by the entity. Details of the cash held under management and trusteeship have been included at note 27. As at 30 June 2020 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:

		Non-Cash Changes			Cash Flows		
Liabilities	**Closing Balance 2019 $'000**	**Dividend Declared $'000**	**Recog-nition of Liability**	**Interest Expense**	**Lease Payments**	**Cash Payments $'000**	**Closing Balance 2020 $'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

	2020 $'000	2019 $'000
Current		
Contract with customers receivable	**282**	92
Other receivable	**1,115**	745
	1,397	837

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.

Note 13. Other financial assets

	2020 $'000	2019 $'000
Non-current		
Investments in managed funds at fair value through other comprehensive income.	**12,555**	13,923
	12,555	13,923

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 2020.

Note 14. Plant and equipment

	2020 $'000	2019 $'000
Plant and equipment		
Leasehold improvements at cost	**1,373**	1,136
Accumulated amortisation	**(702)**	(577)
	671	559
Fixtures, furniture and equipment at cost	**1,419**	1,393
Accumulated depreciation	**(1,191)**	(1,123)
	228	270
Client Management System	**418**	399
Accumulated depreciation	**(238)**	(151)
	180	248
Capital works in progress	**99**	177
	99	177
	1,178	1,254

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:

	2020 $'000	2019 $'000
Leasehold improvements		
Balance at 1 July	**559**	655
Additions	**-**	-
Reclassifications	**236**	-
Depreciation expense	**(124)**	(96)
Balance at 30 June	**671**	559
Fixtures, furniture and equipment		
Balance at 1 July	**270**	340
Additions	**41**	10
Asset write-offs	**(14)**	-
Reclassifications	**-**	13
Depreciation expense	**(69)**	(93)
Balance at 30 June	**228**	270

 # $27 thousand of redundant assets were retired during the year, these assets have been fully depreciated and as at 30 June 2019 had a carrying amount of nil.

	2020 $'000	2019 $'000
Client Management System		
Balance at 1 July	**248**	289
Additions	**-**	-
Reclassifications	**20**	38
Depreciation expense	**(88)**	(79)
Balance at 30 June	**180**	248
Capital works in progress		
Balance at 1 July	**177**	28
Additions	**181**	204
Asset write-offs	**(3)**	(4)
Reclassification	**(256)**	(51)
Balance at 30 June	**99**	177

Note 15. Trade and other payables

	2020	2019
Current		
Trade payables	**158**	237
Sundry payables and accrued expenses	**385**	314
	543	551

Note 16. Deferred tax asset

	2020	2019
Non-Current		
Deferred tax assets		
Balance at 1 July	**3,320**	3,162
Provisions – employee benefits	**(17)**	216
Other expenses	**(29)**	11
Revenue – contracts with customers	**(29)**	(14)
Lease liabilities	**409**	-
Change in value of managed funds	**371**	(55)
Right of use assets	**(397)**	-
Balance at 30 June	**3,628**	3,320

Note 17. Provisions

	2020	2019
Analysis of total provisions		
Current		
Losses	**-**	-
Recreation leave	**350**	238
Long service leave	**405**	298
Defined benefits obligation	**514**	580
Total current	**1,269**	1,116
Non-Current		
Long service leave	**302**	320
Defined benefits obligation	**12,323**	12,476
Total non-current	**12,625**	12,796
Total Provisions	**13,894**	13,912

	2020 $'000	2019 $'000
Losses		
Balance at 1 July	**-**	5
Additional provisions	**19**	12
Amounts used	**(19)**	(17)
Balance at 30 June	**-**	-
Employee benefits		
Balance at 1 July	**13,912**	13,125
Additional provisions	**925**	616
Amounts used	**(747)**	(791)
Provision - defined benefit obligation	**(196)**	962
Balance at 30 June	**13,894**	13,912

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

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

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

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 30(f).

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 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.

Reconciliation of the defined benefit obligation	2020 $'000	2019 $'000
Present value of defined benefit obligations at the beginning of the year	15,736	14,877
Current service cost	115	123
Interest cost	499	622
Contributions by plan participants	30	42
Actuarial losses	(304)	864
Benefits paid	(771)	(792)
Taxes, premiums and expenses	-	-
Present value of defined benefit obligations at the end of the year	15,305	15,736
Reconciliation of the fair value of scheme assets		
Fair value of plan assets at the beginning of the year	2,680	2,772
Interest income	84	116
Actual return on plan assets less interest income	(131)	(64)
Employer contributions	576	606
Contributions by plan participants	30	42
Benefit paid	(771)	(792)
Fair value of plan assets at the end of the year	2,468	2,680
Reconciliation of the net defined benefit liability		
Defined benefit obligation	15,305	15,736
Fair value of plan assets	(2,468)	(2,680)
Net defined benefit liability	12,837	13,056
Current net liability	514	580
Non-current net liability	12,323	12,476
	12,837	13,056

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	115	123
Interest cost	415	506
	530	629
Amounts recognised in other comprehensive income		
Actuarial gains / (losses)	196	(989)
Cumulative amount recognised in other comprehensive income		
Cumulative amount of actuarial (gains) / losses at end of prior year	4,167	3,178
Actuarial (gains) / losses recognised during the year	(196)	989
Cumulative amount of actuarial (gains) / losses at end of year	3,971	4,167

Fair Value of scheme assets as at 30 June 2020^

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	395	-	395	-
International equities	503	-	503	-
Infrastructure	318	86	-	232
Diversified fixed interest	623	-	623	-
Property	444	-	444	-
Alternative Investments	185	-	185	-
Total	**2,468**	**86**	**2,150**	**232**

^ Estimated based on assets allocated to Public Trustee as at 30 June 2020 and asset allocation of the RBF Scheme as at 30 June 2019.

Fair value of the entity's own financial instruments
The fair value of scheme assets includes no amounts relating to:
- any of the entity's own financial instruments, and
- any property occupied by, or other assets used by, the entity.

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 each reporting entity's funded liabilities, calculated using the assumptions outlined in the Actuaries report by Mercer, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, we have used the Government Bond yield of 1.80%, 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 2020**	30 June 2019
Discount rate (active member and pensioners)	**3.25% pa**	4.30% 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	**2.50% pa**	2.50% pa
Assumptions to determine end of year defined benefit obligation:		
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

Sensitivity analysis

The defined benefit obligation as at 30 June 2020 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**
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa pension increase rate	+0.5% pa pension increase rate
Discount rate	3.15% pa	2.65% pa	3.65% pa	3.15% pa	3.15% pa
Pension increase rate	2.25% pa	2.25% pa	2.25% pa	1.75% pa	2.75% pa
Defined benefit obligation ($'000)	15,305	16,277	14,427	14,574	16,105

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

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	**30 June**
Financial Year Ending	**2021**
	$'000
Expected employer contributions	**514**

Maturity profile of defined benefit obligation
The weighted average duration of the defined benefit obligation for the Public Trustee is 12.4 years.

Note 19. Reserves

	2020 $'000	2019 $'000
Fair value reserve		
Balance at beginning of year	**1,606**	1,233
Fair value movement in investments in managed funds (net of related tax)	**(983)**	373
Balance at end of the year	**623**	1,606

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 Leases

a. Right of use assets

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 is 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.

b. Lease Liabilities

	2020 $'000
Lease liabilities included in the statement of financial position at 30 June	
Current	**284**
Non-Current	**1,204**
	1,488

	2020 $'000
Maturity Analysis – contractual undiscounted cash flows	
Less than one year	**358**
One to five years	**1,306**
More than five years	**126**
Total undiscounted lease liabilities at 30 June	**1,790**

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 the 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.

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 office lease commitments in Burnie and Devonport that are on monthly tenancies.

The entity has entered into a lease for an alternative office site in Devonport. The lease commenced on 17 August 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

	2020 $'000
Interest on lease liabilities	**47**

d. Amounts recognised in the statement of cash flows

Total cash outflow for leases	**328**

Note 21. Cash flow information

a. Reconciliation of cash flows from operations with profit after income tax	2020 $'000	2019 $'000
Profit after income tax before other comprehensive income	**810**	658
Non-cash flows in profit:		
Depreciation	**603**	268
Assets written off expense	**15**	4
Distribution income treated as investing activities	**(1,163)**	(822)
Lease Interest Payments	**47**	-
Changes in assets and liabilities:		
(Increase) in trade and other receivables	**(235)**	(100)
(Increase) in prepayments	**(55)**	(13)
Decrease / (increase) in deferred tax assets	**10**	(158)
Increase in trade and other payables	**12**	8
Increase / (Decrease) in provisions	**201**	(208)
Increase in tax assets	**117**	124
Cash flows from / (used in) operations	**362**	(239)

Note 22. Contingent liabilities and contingent assets

The entity is waiting determination from the Court in respect of costs associated with a legal matter. There is a potential for non-significant payments being made by the entity. It is not possible to quantify the potential outflow at this stage. 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 2020, 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 2020.

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.

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**4,847**	4,189
Trade and other receivables	**1,397**	837
Other financial assets	**12,555**	13,923
	18,799	18,949
Financial liabilities		
Trade and other payables	**543**	551
Lease liabilities	**1,488**	-
	2,031	551

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.

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:

	2020 $'000	2019 $'000
Cash and cash equivalents		
- A1+ Rated	**2,180**	4,189
- A1 Rated	**222**	-
- A2 Rated	**2,064**	-
- Unrated	**381**	-
	4,847	4,189
Financial assets		
- Unrated	**12,555**	13,923
	12,555	13,923

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial liabilities due for payment						
Trade and other payables	(543)	(551)	-	-	(543)	(551)
Lease Liabilities	(284)	-	(1,204)	-	(1,488)	-
Total expected outflows	(827)	(551)	(1,204)	-	(2,031)	(551)
Financial assets – cash flow realisable						
Cash and cash equivalents	4,847	4,189	-	-	4,847	4,189
Trade and other receivables	1,397	837	-	-	1,397	837
Financial assets	-	-	12,555	13,923	12,555	13,923
Total anticipated inflows	6,244	5,026	12,555	13,923	18,799	18,949
Net inflow on financial instruments	5,417	4,475	11,351	13,923	16,768	18,398

c. Market risk

Interest rate risk

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

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

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 2020		
+/- 100 bps in interest rates	**48**	**35**
+/- 100 bps in investments	**126**	**91**
Year ended 30 June 2019		
+/- 100 bps in interest rates	42	30
+/- 100 bps in investments	139	101

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
2020				
Financial assets				
Investments in unlisted managed funds	**-**	**12,555**	**-**	**12,555**
2019				
Financial assets				
Investments in unlisted managed funds	-	13,923	-	13,923

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. No. 1 Fund was closed in October 2018. The details of the fund assets are as follows:

	Common Fund $'000	No. 1 Fund $'000	No. 2 Fund $'000	Total '000
2020				
Net assets				
Cash	**8,336**	**-**	**3,894**	**11,897**
Term deposits	**68,000**	**-**	**-**	**68,000**
Receivables	**291**	**-**	**4,388**	**4,679**
Financial assets	**-**	**-**	**76,602**	**76,602**
Payables	**(70)**	**-**	**(6,138)**	**(6,208)**
	76,557	**-**	**78,746**	**154,970**
Equity				
Client funds	**71,710**	**-**	**78,746**	**150,123**
Entity funds	**4,847**	**-**	**-**	**4,847**
	76,557	**-**	**78,746**	**154,970**
2019				
Net assets				
Cash	9,945	-	651	10,596
Term deposits	64,000	-	-	64,000
Receivables	1	-	3,222	3,223
Financial assets		-	84,558	84,558
Payables	-	-	(5,889)	(5,889)
	73,946	-	82,542	156,488
Equity				
Client funds	69,757	-	82,542	152,299
Entity funds	4,189	-	-	4,189
	73,946	-	82,542	156,488

* 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.

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

	Common Fund $'000	No. 1 Fund $'000	No. 2 Fund $'000	Total $'000
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)**	**(124,652)**
Net profit	**462**	**-**	**(1,877)**	**(1,415)**
Distributions	**(462)**	**-**	**(6,496)**	**(6,958)**
Balance at 30 June	**76,557**	**-**	**78,746**	**154,970**
2019				
Fund value				
Balance at 1 July	69,131	6,226	71,541	146,898
Applications	179,658	-	17,258	196,916
Redemptions	(174,843)	(6,226)	(7,630)	(188,699)
Net profit	1,023	375	7,394	8,792
Distributions	(1,023)	(375)	(6,021)	(7,419)
Balance at 30 June	73,946	-	82,542	156,488

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 and funding has been provided for a further 12 months to 30 June 2021.

The amount of CSO funding received by the entity during the year ended 30 June 2020 was $2,115,000 (2019: $2,068,000).

Note 29. Basis of measurement

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

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

Note 30. Significant accounting policies

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

a. Income tax equivalent

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

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

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

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

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

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

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

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

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

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

b. Plant and equipment

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

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

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

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

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

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 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.

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

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

Financial assets measured at amortised cost

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

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

Financial assets measured at fair value

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

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

Non-derivative financial liabilities

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

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

Financial liabilities comprise trade and other payables.

Impairment

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

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

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e. Impairment of assets

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

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

f. Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefits plan

The entity's defined benefits plan is in respect of current and former employees who have defined benefits arising from membership of the contributory section of the 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 gain and losses on settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

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

g. Provisions

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

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

h. Cash and cash equivalents

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

i. Revenue and other income

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

(i) Commissions

Commissions revenue is recognised as the relevant administration transactions occur.

(ii) Fees

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

(iii) Funding of Community Service Obligations (CSO)

CSO funding revenue is recognised as the CSOs are performed.

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

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

(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.

m. Pending accounting standards

AASB16 Leases

On the 1 July 2019 the Entity adopted accounting standard AASB16 Leases. Please refer to Note 30c for more information.

AASB1059 Service Concession Arrangements: Grantors

The objective of this Standard is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. This Standard applies on or after 1 January 2020. The impact of this Standard is enhanced disclosure in relation to service concession arrangements for grantors that are public sector entities. It is not anticipated that there will be any material financial impact on the Entity.

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 2020 and the financial position as at 30 June 2020 of the entity; and

   (ii) complying with the Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.

b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

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

a) the financial records of the enterprise for the year ended 30 June 2020 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 2020 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 2020 give a true and fair view.

Signed in accordance with a resolution of the directors:

Mark Scanlon
Chairperson

Tracy Matthews
Director

Hobart, 25 September 2020

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 2020, the 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 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 2020 and of its financial performance 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 provided to the directors of the Public Trustee on 23 September 2020, would be in the same terms if provided to the directors at the time of this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Defined Benefits Superannuation *Refer to notes 17 and 18*	
The Public Trustee had employees who were members of a defined benefit superannuation scheme. The Public Trustee's obligation under this scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at $12.8m at 30 June 2020. The value of the superannuation liability was significant and its estimation involved complex judgements about future events.	• Assessing the competence and qualifications of the actuary that performed the valuation. • Evaluating information provided to the actuary. • Evaluating actuarial reports including the reasonableness of the assumptions used. • Assessing the adequacy of the disclosures in the financial report.
Investment in financial assets/assets under management and trusteeship *Refer to notes 13 and 27*	
As at 30 June 2020, the Public Trustee had a large amount of assets invested in managed funds, $12.6m, measured at fair value based on advice from external providers. The Public Trustee also held assets managed on behalf of its clients, pursuant to the *Public Trustee Act 1930*, which had a high volume of activity and a significant monetary value at 30 June 2020, $155.0m. Assets held in trust were not recognised in the statement of financial position but disclosed by way of note.	• 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.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Investments included unlisted funds which were valued based on proprietary valuations prepared by fund managers under their respective valuation methodologies.	• 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.

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Trustee's internal control.

...3 of 4

- 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.

Stephen Morrison
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

28 September 2020
Hobart

Superannuation Declaration

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

David E Benbow
Chief Executive Officer

Hobart, 25 September 2020

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	15 days
Number of accounts due for payment	1,236
Number of accounts paid on time	1,232
Amount due for payment	$2.84 Million
Amount paid on time	$2.82 Million
Number of payments for interest on overdue accounts	NIL
Interest paid on overdue accounts	NIL
Commentary (if applicable) Reason for delays: disputed accounts	

Consultancies valued at more than $50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
Deloitte	Hobart	IT Strategy Review, Business Continuity Plan	1/7/2019 to 30/6/2020	**$ 91,496**
			Total	**$ 91,496**
Consultants engaged for $50,000 or less totalling				**$ 62,823**
Total Payment to Consultants				**$ 154,319**

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	89.6 %
Value of purchases from Tasmanian businesses (Exc GST)	$ 2.41 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 2020

Public Trustee Common Fund
Special Purpose Annual Report - 30 June 2020

General information

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

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

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

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

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

The information provided in this annual report is unaudited.

Interest Rate History

Average Annual Rate to 30 June 2020	
1 Month	0.24%
3 Months	0.33%
6 Months	0.42%
1 year	0.61%
2 years	1.04%
3 years	1.12%
5 years	1.27%

Statement of comprehensive income - unaudited

	Year ended 30 June 2020 $'000	30 June 2019 $'000
Investment revenue		
Interest income	**1,273**	1,778
Total investment revenue	**1,273**	1,778
Expenses		
Management fees charged by Public Trustee	**811**	755
Total operating expenses	**811**	755
Net profit attributable to account holders	**462**	1,023
Distributions to account holders	**(462)**	(1,023)
Amount retained but not distributed	**-**	-

Statement of financial position – unaudited

	Notes	30 June 2020 $'000	30 June 2019 $'000
Assets			
Cash and cash equivalents		**76,336**	73,946
Accrued Revenue		**291**	-
Total assets		**76,627**	73,946
Liabilities			
Payables		**70**	-
Net assets attributable to unitholders - liability	4	**76,557**	73,946

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
Total net assets attributable to unitholders at the beginning of the year	**73,946**	69,131
Net profit attributable to unitholders	**462**	1,023
Distributions to unitholders	**(462)**	(1,023)
Application for units	**119,973**	179,658
Redemption of units	**(117,362)**	(174,843)
Total net assets attributable to unitholders at the end of the year	**76,557**	73,946

Statement of cash flows - unaudited

	Year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities		
Interest received	**983**	1,778
Management fees	**(742)**	(755)
Net cash inflow from operating activities	**241**	1,023
Cash flows from financing activities		
Applications	**119,973**	179,658
Redemptions	**(117,362)**	(174,843)
Distributions paid	**(462)**	(1,023)
Net cash inflow from financing activities	**2,149**	3,792
Net increase in cash and cash equivalents	**2,390**	4,815
Cash and cash equivalents at the beginning of the year	**73,946**	69,131
Cash and cash equivalents at the end of the year	**76,336**	73,946

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 2019 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 2020 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 2020 $'000	30 June 2019 $'000
Client funds	**71,710**	69,757
Corporate funds	**4,847**	4,189
Net assets attributable to unitholders - liability	**76,557**	73,946

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.

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**76,336**	73,946
	76,336	73,946

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:

	2020 $'000	2019 $'000
Cash and cash equivalents		
-A1+ Rated (APRA Regulated ADI)	**34,336**	71,946
-A1 Rated (APRA Regulated ADI)	**3,500**	-
-A2 Rated (APRA Regulated ADI)	**32,500**	-
-BBB+	**-**	2,000
-Unrated (APRA Regulated ADI)	**6,000**	-
	76,336	73,946

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 part transactions

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

7 Events after the reporting period

The 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 2020

General information

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

The benchmark asset allocation of the fund is as follows

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

At its August board meeting the benchmark asset allocation was changed, details are provided at note 7.

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 2020 is as follows;

Performance after Fees to 30 June 2020	
1 Month	0.73%
3 Months	9.66%
6 Months	-4.68%
1 year	-2.39%
2 years	3.16%
3 years	4.96%
5 years	5.13%

The information provided in this annual report is unaudited.

Statement of comprehensive income - unaudited

	Year ended 30 June 2020 $'000	30 June 2019 $'000
Investment revenue		
Dividend/distribution Income	**6,931**	4,844
Interest income	**1**	3
Net gains/losses on financial instruments held at fair value through profit or loss	**(7,768)**	3,522
Total investment revenue	**(836)**	8,369
Expenses		
Management fees charged by Public Trustee	**830**	774
Custody fees	**132**	125
Other expenses	**80**	76
Total operating expenses	**1,042**	975
Net profit attributable to account holders	**(1,878)**	7,394
Distributions to account holders	**(6,496)**	(6,021)
Change in net assets attributable to unitholders	**8,374**	(1,373)
Amount retained but not distributed	**-**	-

Statement of financial position - unaudited

	Notes	As at **30 June 2020 $'000**	30 June 2019 $'000
Assets			
Cash and cash equivalents		**3,894**	651
Receivables		**4,388**	3,222
Financial assets at fair value through profit or loss		**76,603**	84,558
Total assets		**84,885**	88,431
Liabilities			
Distributions Payable		**5,951**	5,774
Payables		**187**	115
Total liabilities (excluding net assets attributable to unitholders)		**6,138**	5,889
Net assets attributable to unitholders - liability	4	**78,747**	82,542

Statement of changes in net assets attributable to unitholders - unaudited

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
Total net assets attributable to unitholders at the beginning of the year	**82,542**	**71,541**
Net profit attributable to unitholders	**(1,877)**	**7,394**
Distributions to unitholders	**(6,496)**	**(6,021)**
Application for units	**11,535**	**17,258**
Redemption of units	**(6,957)**	**(7,630)**
Total net assets attributable to unitholders at the end of the year	**78,747**	**82,542**

Statement of cash flows - unaudited

	Year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through Profit or loss	**9,788**	6,657
Purchase of financial instruments held at fair value through profit or loss	**(9,600)**	(15,650)
Dividends received	**5,768**	8,584
Interest received	**1**	3
Management fees	**(832)**	(766)
Custodian fees	**(64)**	(149)
Payment of other expenses	**(76)**	(67)
Net cash inflow / (outflow) from operating activities	**4,985**	(1,388)
Cash flows from financing activities		
Receipts from issue of units	**11,535**	17,258
Payments for redemption of units	**(6,957)**	(7,630)
Distributions paid	**(6,320)**	(7,762)
Net cash (outflow) / inflow from financing activities	**(1,742)**	1,866
Net increase in cash and cash equivalents	**3,243**	478
Cash and cash equivalents at the beginning of the year	**651**	173
Cash and cash equivalents at the end of the year	**3,894**	651

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 2019 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 2020 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 2020 $'000	30 June 2019 $'000
Client funds	**78,747**	82,542
Net assets attributable to unitholders - liability	**78,747**	82,542

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.

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**3,894**	651
Receivables	**4,388**	3,222
Financial assets at fair value through profit or loss	**76,603**	84,558
	84,885	88,431
Financial liabilities		
Trade and other payables	**6,138**	5,889

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	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities due for payment						
Trade and other payables	(6,138)	(5,889)	-	-	(6,138)	(5,889)
Total expected outflows	(6,138)	(5,889)	-	-	(6,138)	(5,889)
Financial assets – cash flow realisable						
Cash and cash equivalents	3,894	651	-	-	3,894	651
Receivables	4,388	3,222	-	-	4,388	3,222
Financial assets at fair value	76,603	84,558	-	-	76,603	84,558
Total anticipated inflows	84,885	88,431	-	-	84,885	88,431
Net inflow on financial instruments	78,747	82,542	-	-	78,747	82,542

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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2020				
Financial assets				
Investments in unlisted managed funds	-	76,603	-	76,603
2019				
Financial assets				
Investments in unlisted managed funds	-	84,558	-	84,558

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

On 28 August 2020, Board approved changes to the benchmark asset allocation of the Fund to the following;

Investment Sector	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%
Australia Listed Property	5%
Global Listed Infrastructure	5%

This increases the allocation to growth assets from 60% to 70%.