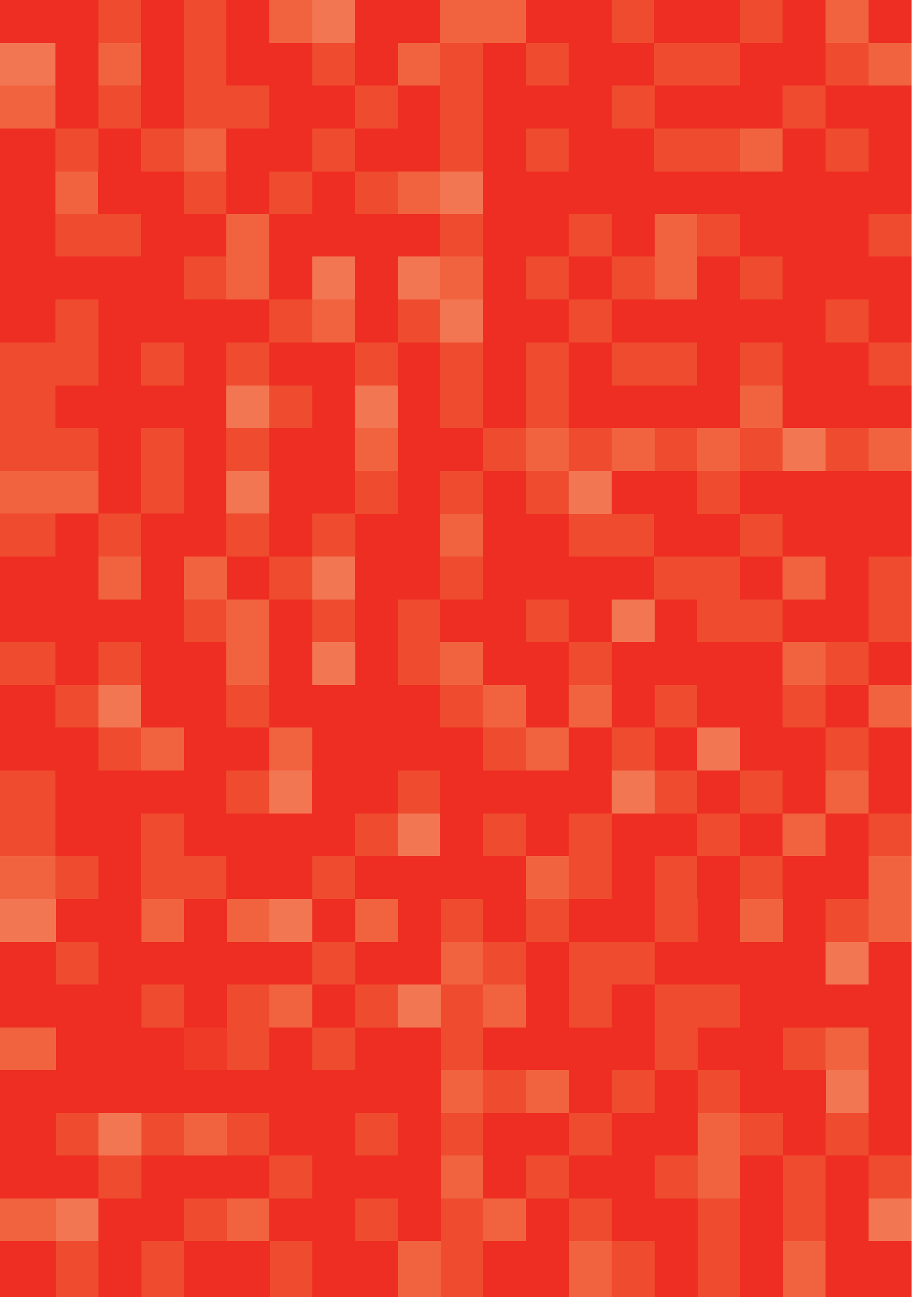


2007

Annual Report of Public Trust
For the year ended 30 June 2007

**YOUR
WORD
IS LAW** public**TRUST**



2007

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For the year ended 30 June 2007

Contents

Chairman's Report.....	3
Chief Executive's Report.....	5
Governance.....	8
Performance targets and other measures.....	9
Report on the Statement of Intent.....	10
Statement of Responsibility.....	11
Statement of Financial Position.....	12
Statement of Movements in Equity.....	13
Statement of Financial Performance.....	14
Statement of Cash Flows.....	15
Statement of Commitments.....	16
Statement of Accounting Policies.....	17
Notes to the Financial Statements.....	20
Good Employer Report.....	41
Statement of Service Performance.....	43
Report of the Auditor-General.....	46

Foreword

On behalf of the Board, we have the pleasure of presenting the annual report of Public Trust for the year 1 July 2006 to 30 June 2007



Peter J M Taylor
Chair

Date: 27 September 2007



Robin Hill
Board Member

Purpose

This Report has been prepared to meet the requirements of:

- Section 40 of the Public Trust Act 2001;
- Section 150 of the Crown Entities Act 2004; and
- The Statement of Intent of Public Trust.

The report covers the activities for the year ended 30 June 2007.

Chairman's Report

Change is a constant and the rate of change in business is accelerating. We are seeing major change at an industry level and within our business. The year has been another important period in the recent history of Public Trust with a continued improvement in operating performance and the resetting of the strategic direction to clearly focus on enhancing the quality of the trustee services we provide. Our strategic direction is all about responding to, and anticipating future change to ensure we can better serve our customers.

Financial performance

Public Trust achieved a net surplus after tax of \$3.4 million for the year ended 30 June 2007 (30 June 2006 \$2.1 million), an increase of \$1.3 million from last year. The return on equity increased to 7.7% (30 June 2006: 5.1%).

The improvement in performance was assisted by a significant contribution from investment gains in Public Trust's Common Fund investments and an increase in income from the Common Fund; partly due to a favourable interest rate environment. Excluding investment gains, the pre tax performance of core operations improved by \$1.5 million, continuing the trend of the past three years.

Strategic focus

A strategic review of Public Trust was completed during the last year. The review was undertaken in the recognition that, notwithstanding the progress that has been made over the last four years in stabilising financial performance, a more fundamental reshaping of the business is required to deliver sustainable long term financial performance. Central to the reshaping is a concentrated focus on the core markets in which Public Trust operates.

In February this year, Stakeholding Ministers supported the business case arising from the review which outlined a strategic plan to build on and secure Public Trust's position as New Zealand's preferred provider of trustee services. The plan requires a significant investment in capability enhancement, which will potentially result in losses after tax over the next three years due to increased operating and capital expenditure to improve competitive positioning and enhancement of the customer experience.

In the longer term the investment in capability is projected to deliver strong after tax surpluses and an improved return on equity.

Board membership and governance

The Board has three sub committees: the Audit, Finance and Risk Management Committee; the Investment Committee; and the Due Diligence Committee which assist the Board in fulfilling its governance responsibilities.

There is broad capability and experience in the Board which will serve Public Trust well as the organisation embarks on the challenging task of delivering its strategic plan.

I thank Board members for their contribution and for the quality of the guidance and expertise they bring.

I would like to thank Patricia Jones (retired from the Board in October 2006), Liz Coutts and Stephanie McIntyre (retired from the Board in April 2007) for their contribution during their association with Public Trust. The contribution of Liz Coutts over the last six years as Deputy Chair has been particularly incisive and helpful. I welcome Robin Hill, David Edwards and Sarah Roberts, who were appointed in May 2007.

Management and staff

This year saw the retirement of Pat Waite after a six year association with Public Trust. Pat was appointed a Director of the Public Trust Modernisation Board in 2001. When Public Trust became a Crown Entity in early 2002, he became a Director of the new Board. He resigned from the Board to become acting Chief Executive in January 2003, and was appointed Chief Executive in April 2003.

The Board and Minister Responsible for Public Trust, the Hon. Jim Anderton, acknowledged Pat's important contribution to the organisation at a function to mark his retirement earlier this year.

Grenville Gaskell was appointed Chief Executive in April 2007. The Board recognises the extensive commercial experience he brings to the role, which will be of assistance as the organisation embarks on developing its new customer and product strategies.

One of Public Trust's longest serving employees, Brian Blacktop, passed away unexpectedly in June 2007. The Board and I worked closely with Brian over the past six years and his many years of experience have been invaluable to us. On behalf of the Board we record our sincere thanks for his wonderful contribution.

The employees of Public Trust have an extraordinary commitment to the organisation's purpose and vision, with a large number having completed many years of service. The ongoing contribution of staff is key to the high level of customer satisfaction Public Trust achieves and ensuring the organisation is able to implement the new strategic direction.

I would also like to thank all those who have contributed to this year's significantly improved financial performance for their professionalism and commitment to Public Trust and its customers. On behalf of the Board, I thank them for it.

A far reaching business

Public Trust has a long tradition of looking after the interests of New Zealanders since it was first established in 1873. Public Trust is best known as New Zealand's largest provider of Wills and estate administration services - but in fact it has many other dimensions that are less visible.

These range from managing over 400 charitable trusts to fulfilling a welfare guardian role following Court appointment under the Protection of Personal and Property Rights Act to providing corporate trustee services with over \$14 billion under supervision. Activities include managing 33 farms and providing a fee protection service to students at over 360 private training establishments. The range of products and services extend to investments and provision of mortgage lending.

The Board and management are totally committed to ensuring that Public Trust respects its proud history and continues to change to enable the organisation to help more New Zealanders achieve their trustee and related financial goals. The services we offer will continue to evolve as the needs of our customers change, but will be primarily focused on leveraging our capability to ensure the provision of high quality trustee and related services.

The future

The implementation of the new strategic direction is underway and represents a challenging, but achievable programme of change. The opportunity to create value and better serve New Zealanders by enhancing the business is a compelling prize. It is particularly pleasing to observe the commitment of the Board and employees to the journey.

I finish my term as Chair on 31 October 2007 and, as I look back on my time, I am very pleased to note the strong progress made by Public Trust in all areas of its activities during this period. There is however much still to be accomplished in developing its capabilities and improving its overall performance. With a clear strategic direction and a significant investment in capability underway, Public Trust can look forward with optimism to being better able to meet the trustee service needs of our customers in a changing world. In this, my last Chairman's report for Public Trust, I record my confidence that the organisation and its management and staff are today well positioned to face the future.

I am deeply thankful for the support I have had from current and past Board members, executives and staff and have found being the Chairman of Public Trust a very satisfying experience. In closing I would like to record my thanks to the Minister Responsible for Public Trust, the Hon. Jim Anderton, for his steadfast support of Public Trust, and myself, over the last six years.



Peter J M Taylor
Chair

Chief Executive's Report

Te Tari Tiaki Iwi

The organisation that takes care of people

Public Trust is New Zealand's largest and most enduring trustee organisation and has been helping New Zealanders for 134 years. Since being appointed Chief Executive in April 2007 I have been impressed with the pride and satisfaction employees gain from Public Trust's heritage and the commitment they have to the purpose of helping New Zealanders take care of their interests. The provision of trustee service is at the very core of what Public Trust has offered since 1873.

Current performance

The financial performance for 2006/07 was a significant improvement on that achieved in 2005/06. Whilst net surplus after tax increased largely from material investment gains, it is pleasing to see a continued improvement in core business performance.

Other key achievements for the year include...

- Funds under management in the Common Fund increased by \$20 million to \$785 million.
- Corporate trust funds under supervision increased by \$1.6 billion to \$14.8 billion at year end.
- Corporate Trustee Services was appointed as the trustee to two KiwiSaver default provider schemes.
- Continued growth in the numbers of Wills and Enduring Powers of Attorney completed. Public Trust writes more Wills than anyone else.
- Increased awareness of Public Trust's brand through the sponsorship of TV One's news and current affairs programme Close Up.
- Continued growth of Fee Protect, which in February 2007 celebrated the milestone registration of its 100,000th student. With over 60% market share, Fee Protect is the largest and most comprehensive student fee protection service in New Zealand.
- A 13% increase in the number of Family Trusts administered by Public Trust.
- Ongoing demand saw Personal Assist revenue increase during the year.
- Public Trust looked after more deceased estates than any other organisation, with over 2,200 new estates taken on during the year.
- Customer and staff satisfaction levels remain high and compare favourably with external benchmarks.

Focus on charitable trusts

Public Trust manages over 400 charitable trusts with a cumulative total of around \$400 million in assets; these charitable trusts generate funding for interests as diverse as science, medicine, disability and agriculture. Collectively, the trusts provide the means for many people to live better lives, enhance their skills and talents and enjoy better community facilities.

Charitable trusts managed by Public Trust include...

- The TG Macarthy Trust, one of New Zealand's largest charitable trusts. When it was established in 1912, the trust was worth about \$470,000. Through careful management it is now worth \$68 million and has granted over \$46 million to a variety of charitable and educational institutions.
- The Smedley Farm Trust, a working farm which has trained more than 550 cadets since it was established in 1931.
- The JBS Dudding Trust, another charitable trust that arose from farm interests. JBS Dudding, a farmer of Marton, set up his trust in 1963 for general charitable purposes. It is now valued at over \$20 million.
- The Helen Royle Trust, primarily for the welfare of needy and distressed women and for education. Helen Royle set up her charitable trust in 1975, and in 1995 the private trustees retired and appointed Public Trust. The trust has supported many worthy causes throughout the country.
- The William Georgetti Trust and the Claude McCarthy Trust, which grant post-graduate scholarships. These, among others, blend the administration and investment work of the trustee with community involvement in selecting suitable beneficiaries. For example, the New Zealand Universities' Vice-Chancellors' Committee manages the post graduate selections for these two trusts.
- The Charles Plimmer Trust, a substantial trust which was set up by Charles Plimmer for the beautification of Wellington City. The parks and reserves of Wellington owe much to the income from this trust.

The effective management of charitable trusts is part of Public Trust's core competency and we are proud of being able, through these trusts, to ensure ongoing distributions to help a large number of beneficiaries with a diverse range of interests.

Public Trust in the community

Public Trust has 35 customer centres throughout the country and our staff make a significant contribution to the communities in which we are based. We present seminars and play an active part ensuring informed commentary and information is available through the mainstream media. Public Trust people are often asked to comment on topical trustee issues.

Two new sponsorships provide further opportunities for Public Trust to contribute to local communities and to build relationships with extremely well respected organisations...

- **Royal New Zealand Returned and Services' Association** – this sponsorship, the Poppy Partnership with the RNZRSA, was announced in November 2006. As part of the Poppy Partnership Public Trust ran a collection campaign in our customer centres leading up to ANZAC Day on 25 April. We also took part in street collections and actively engaged with local RSAs throughout the country.
- **Carers New Zealand** – our Cornerstone Partnership with Carers New Zealand was announced in July 2006. Carers New Zealand is a national charitable trust supporting carers who look after family members or friends who may be ill, frail, elderly, have an intellectual or physical disability, or experience some form of mental illness.

The new sponsorships connect Public Trust with well respected organisations that have a similar strong sense of social values. Public Trust remains committed to a national presence and serving the communities in which we operate. An ethos of social responsibility often results in our people doing more to help customers than you would expect from a commercial organisation. In particular, we are the organisation that people turn to when there is no-one else to look after their interests.

A time of significant change

There are a number of legislative and social changes occurring that impact Public Trust. The Government has signalled changes to the regulatory framework for non bank financial institutions, financial intermediaries and financial products with a view to promoting increased confidence and participation in financial markets by investors and

institutions. The nine discussion documents released during 2006 are being turned into a two phase approach to introducing legislation. The legislation will result in trustee companies being registered by the Securities Commission and existing statutory rights removed. Public Trust has been actively participating in reviewing proposals and providing comment. We support the proposed changes and are well positioned to compete once they are implemented.

Significant social changes are also occurring and life has got more complicated. Traditional family structures are increasingly less common, and providing Wills and wider trustee services is becoming increasingly more complex. The Property Relationship Act is also having an impact. Public Trust's engagement is often sought in the law reform process and we welcome these opportunities to advocate for the benefit of all New Zealanders. For instance, protected person and testamentary reforms are areas in which we have been able to contribute during the year.

New Zealand's demographic profile is expected to change dramatically in the next 50 years, with steady population growth assisted by net migration, major changes in the age structure towards an 'older' population, significant population growth in Auckland, and greater ethnic diversity with increases in Maori, Pacific and Asian populations. These social and demographic shifts mean that Public Trust must remain focused on meeting the changing needs of New Zealanders to ensure continued relevance and future success.

Responding to the challenges and opportunities

For a number of years it has been recognised that Public Trust has been slowly losing market share in key customer segments and product areas. Over the last few years a number of initiatives have been implemented to address the decline and improve the organisation's ability to compete and become more relevant to customers.

Capitalising on recent success in improving performance and to enable Public Trust to respond more effectively to market challenges a review of strategic direction has been completed. A significant programme of work has arisen from this review and implementation has commenced. Public Trust is committed to improving capability as a key underpinning of its goal to rebuild and grow core business. Over the next

five years Public Trust will invest in a significant set of initiatives to ensure that it has the capability in key areas to achieve its strategic objectives.

Central to our strategy is achieving a significant enhancement of the customer experience. Three key areas of capability enhancement are being focused on – people, customer and processes. We have made significant progress in recent years in the development of our people capability, but recognise further investment is required if we are to deliver a strong and commercially sustainable performance.

The organisation has established the foundations for an integrated change programme and commenced work on implementing the initiatives required to deliver the new strategy. The next financial year is set to be a challenging but exciting period for Public Trust. The primary focus will be to accelerate the implementation of the strategy to secure a strong competitive position in the trustee market and grow value for the future. We are determined to deliver an enhanced customer experience.

Our people

Our improved performance is the result of the hard work, skill and expertise, energy and dedication of our employees.

One of my first impressions at Public Trust has been that our people demonstrate a care for our customers and their best interests in everything they do. Public Trust's people are among the most skilled and experienced in the trustee industry. We have a number of employees who have given many years of service and are recognised as leaders in their field.

Brian Blacktop, most recently Advisor to the Chief Executive, passed away suddenly on 23 June. Brian held a number of senior positions including Deputy Public Trustee, over a career spanning nearly 48 years. He was the architect of the Public Trust Act 2001 and respected as one of New Zealand's leading authorities on trustee law. A scholarship in Brian's name will be launched in 2007 in recognition of his lifelong commitment and contribution to both Public Trust and the industry.

Notwithstanding the progress that has been achieved in recent years, we have initiated a major focus on enhancing Public Trust's systems and practices for ensuring the health, safety and wellness of our employees. An accident in June, that claimed the life of a farm worker on a station we manage highlighted the need for an absolute focus on this area and the workplace safety risks Public Trust employees face given the extremely varied nature of our business.

When combined with the level of commitment of our people, Public Trust offers a capability that is unrivalled in the industry and I thank everyone for their professionalism and contribution to a successful year for the organisation.

The Board

I would also like to thank the Board of Directors for the support and counsel they have given the Executive team, and to me, since I was appointed Chief Executive. I consider it a privilege to be afforded the opportunity to lead a New Zealand trustee organisation with such a rich and deep heritage of helping New Zealanders.

In particular I would like to recognise the lasting contribution of our Chair Peter Taylor, who is retiring at the end of October 2007. Peter has been Chair of Public Trust during a period of sustained change. He was Chair of the Modernisation Board and first Chair of Public Trust following its establishment as a Crown Entity on 1 March 2002. Peter has steered Public Trust through a challenging six year period to a point where there has been a sustained improvement in performance. He has overseen the development of a new strategy to significantly reinvest in the core business with the aim of ensuring future success by focusing on developing people capability to better meet the changing needs of customers.



Grenville Gaskell
Chief Executive

Governance

Public Trust was established as a statutory corporation under the Public Trust Act 2001. Public Trust is a Crown Entity for the purposes of the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board of Public Trust, which comprises not fewer than five nor more than nine members, is appointed by the Minister Responsible for Public Trust in consultation with the Minister of Finance, together the Stakeholding Ministers. The Board currently has eight members, none of whom has any other service connection with Public Trust.

The Board is committed to the highest standards of behaviour and accountability and has adopted the following policies and procedures.

Role of the Board

The Board is responsible in terms of the Public Trust Act 2001 to the Stakeholding Ministers acting on behalf of the Crown for supervising or directing the management of the affairs of Public Trust. The Board appoints the Chief Executive, delegates to the Chief Executive appropriate authority for the day to day management of Public Trust and monitors management's performance on a regular basis. The Chief Executive has statutory responsibility to the Board for the efficient and effective management of the affairs of Public Trust.

Separation of the governance role of the Board from the management role of the Chief Executive is reinforced by the express bar in the Public Trust Act 2001 on the Chief Executive being a member of the Board. In addition to providing leadership to, and effective management of the Board, the Board Chair acts as the primary interface between the Board and the Chief Executive and management.

Formal reporting by the Board to the Minister is on a quarterly basis.

Board committees

There are currently three standing committees of the Board; the Audit, Finance and Risk Management Committee, the Investment Committee, and the Due Diligence Committee.

Audit, Finance and Risk Management Committee (AFRM)

Elizabeth Coutts (Chair to April 2007)

Robin Hill (Chair from May 2007)

Murray Weatherston

Peter Taylor

AFRM meets a minimum of four times a year.

The Chief Executive and Chief Financial Officer and other members of management attend by invitation, as do the external and internal auditors.

The Committee's responsibilities are to ensure that adequate internal and risk management controls are in place, to advise the Board regarding accounting policies, practices and disclosures, to review the scope and outcome of the external audit, to review the annual and half-yearly financial statements for Public Trust and the Group Investment Funds prior to approval by the Board and to report the proceedings of each meeting to the Board.

Board policy is that non-audit services for Public Trust may not be undertaken for, or sought from, the organisation's external auditors without prior AFRM approval.

Investment Committee

Donal Curtin (Chair)

Murray Weatherston

Peter Taylor

The Investment Committee meets a minimum of six times a year. The Committee reviews the investment policies, procedures, practices and investment performance relating to the Common Fund and the several Group Investment Funds established and managed by Public Trust.

Due Diligence Committee

Murray Weatherston (Chair)

Peter Taylor

Elizabeth Coutts (to April 2007)

Sarah Roberts (from May 2007)

Hon. Matthew Robson (from May 2007)

The Due Diligence Committee meets on an "as required" basis. The Committee oversees compliance activities relating to documents required to be executed, completed, registered or otherwise dealt with, by or on behalf of Public Trust in terms of the Securities Act 1978, the Securities Regulations 1983, the Financial Reporting Act 1993 and other relevant legislation.

Performance targets and other measures

Public Trust operates within the legislative framework governing non-company Crown entities, under the Crown Entities Act 2004. Reporting is in three parts:

Part A – Crown Stewardship Interest. This is the ownership interest of the Crown for which a number of performance targets and measures as detailed in the Statement of Intent are reported on page 10.

Part B – Good employer reporting. Public Trust is required by the Crown Entities Act 2004 to report on its obligation to be a good employer. The report is on page 41.

Part C – Statement of Output Objectives. This relates to the purchase of non commercial activities by the Crown, which is reported in the Statement of Service Performance on page 43.

Report on the Statement of Intent

For the year ended 30 June 2007

The Statement of Intent set out a number of performance measures and targets. The following table outlines actual performance against these.

	2005/06 Actual	2006/07 Actual	2006/07 Target ¹	2007/08 Target ²
<i>Ownership Perspective</i>				
Cost/Revenue ³	93.1%	88.5%	96.2%	101.0%
Return on equity	5.07%	7.65%	0.13%	(1.27%)
Distributions to Crown	Nil	Nil	Nil	Nil
<i>Customer Perspective</i>				
Customer Satisfaction ⁴				
- Wills	8.0	8.1	8.0	8.0
- Estates	8.2	8.2	8.0	8.0
<i>Internal Perspective</i>				
Productive hours ⁵	59.2%	59.8%	65.0%	n/a
<i>Sustainability Perspective</i>				
Staff satisfaction ⁶	2.84	2.75	2.80	2.80

1. Source: 2007/09 Statement of Intent

2. Source: 2008/10 Statement of Intent

3. Percentage of total whole of year operating expenditure (excluding expensed major project costs) to total whole of year revenues.

4. Independently conducted survey of customer satisfaction. (Range: 1 = poor; 10 = excellent).

5. Average monthly percentage of total customer engagements hours to total available hours of Service and Customer Centre staff.
No longer a measure from 2007/2008.

6. Independent survey of staff satisfaction. (Range: 1 = excellent; 3 = midpoint; 5 = poor).

Public Trust has fiduciary responsibility for trusts under management and trusts under supervision. The following table details the fiduciary assets under management or supervision.

	2005 Actual \$m	2006 Actual \$m	2007 Actual \$m
<i>Fiduciary Assets</i>			
Funds Under Management			
Common Fund	658	765	785
Managed Funds	437	445	455
Assets Under Management	1,418	1,695	2,000
Funds Under Supervision	11,578	13,163	14,805

Statement of Responsibility

For the year ended 30 June 2007

The Board and management of Public Trust accept responsibility for the preparation of the Financial Statements. The judgments applied in the preparation of the Financial Statements are reported in the Statement of Accounting Policies and notes to the financial statements.

The Board and management of Public Trust accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management of Public Trust, the Financial Statements for the year ended 30 June 2007, fairly reflect the financial position, results of operations and cash flows of Public Trust.



Peter J M Taylor
Chair



Robin Hill
Board Member



Grenville Gaskell
Chief Executive

27 September 2007

Statement of Financial Position

As at 30 June 2007

		Group		Parent	
		Actual	Budget	Actual	Actual
		2007	2007	2007	2006
	notes	\$000	\$000	\$000	\$000
Assets					
Cash and bank		13,023	5,000	9,443	9,433
Money market deposits at call		10,668	10,000	1,297	1,297
Interest bearing securities	1	539,561	538,104	531,266	531,266
Equities		15,302	4,000	18,486	18,486
Forward foreign exchange contracts	15	1	-	19	19
Advances to clients		8,274	7,000	8,719	8,719
Accrued income		5,992	1,640	5,324	5,324
Trade debtors	2	3,681	3,428	4,224	3,839
Sundry debtors	3	52	2,000	301	301
Advances secured by mortgage	4	234,907	288,000	224,934	224,934
Total financial assets		831,461	859,172	804,013	803,618
Prepayments		672	1,100	916	915
Property, plant & equipment	5	7,594	8,194	8,239	8,239
Intangibles	6	1,836	1,836	2,504	-
Sums due from subsidiary		-	-	-	15
Investment in subsidiary	7	-	-	-	7,076
Current tax	8	350	-	1,411	1,396
Deferred tax asset	9	-	400	504	504
Total assets		841,913	870,702	817,587	821,846
Liabilities					
Liabilities to clients - at call or short term		402,196	433,894	424,108	424,108
Liabilities to clients - term deposits		373,997	379,900	332,996	332,996
Accrued interest - term deposits		7,738	6,500	6,857	6,857
Prepaid estate administration	10	848	700	911	911
Total liabilities to clients		784,779	820,994	764,872	764,872
Overdraft		1,792	-	1,405	1,405
Trade creditors		2,093	1,200	2,189	2,164
Other creditors	11	2,180	2,200	1,681	1,681
Total financial liabilities		790,844	824,394	770,147	770,122
Prepaid income		496	520	536	-
Provisions for employee entitlements	12	4,055	4,000	3,988	3,988
Other provisions	13	1,031	480	779	779
Loan from subsidiary		-	-	-	5,281
Total liabilities		796,426	829,394	775,450	779,709
Equity					
		45,487	41,308	42,137	42,137
Total liabilities plus equity		841,913	870,702	817,587	821,846

For and on behalf of the Board, who authorised the issue of the financial statements on 27 September 2007.



Peter J M Taylor
Board Member



Robin Hill
Board Member

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement

Statement of Movements in Equity

For the period 1 July 2006 to 30 June 2007

	Actual	Group	Actual	Parent	
	2007	Budget	2006	Actual	Actual
	\$000	\$000	\$000	2007	2006
				\$000	\$000
Equity at the beginning of the period	42,137	41,254	40,052	42,137	40,052
Net surplus after tax	3,350	54	2,085	3,350	2,085
Total recognised revenues & expenses for the period	3,350	54	2,085	3,350	2,085
Equity at the end of the period	45,487	41,308	42,137	45,487	42,137

Statement of Financial Performance

For the period 1 July 2006 to 30 June 2007

		Actual	Group	Actual	Parent	
		2007	Budget	2006	Actual	Actual
	notes	\$000	\$000	\$000	2007	2006
		\$000		\$000	\$000	\$000
Revenue						
Income from financial instruments						
Interest from interest bearing securities		44,048	39,234	38,285	44,048	38,285
Interest from advances secured by mortgage		21,272	21,631	18,585	21,272	18,585
Distributions from equity investments		718	80	1,292	718	1,292
		66,038	60,945	58,162	66,038	58,162
Less:						
Interest expense		44,904	41,856	39,273	45,227	39,401
		21,134	19,089	18,889	20,811	18,761
Other operating revenue						
Operating revenue		34,596	32,690	31,328	33,881	30,429
Crown revenue	21	4,500	4,500	4,500	4,500	4,500
Revenue before operating expenses	18	60,230	56,279	54,717	59,192	53,690
Operating expenses						
Operating costs		50,512	49,826	46,782	50,347	46,628
Operating lease costs		4,199	3,400	4,026	4,199	4,026
Depreciation & amortisation	18	1,931	1,976	1,913	1,931	1,913
Net losses (gains) on disposals						
of Property, plant & equipment		57	-	12	57	12
Amortisation of goodwill	6	668	668	668	668	668
Total operating expenses		57,367	55,870	53,401	57,202	53,247
Net realised gains on investments		1,930	-	316	1,930	316
Net unrealised gains on investments		1,671	-	1,639	1,671	1,639
Net gains on investments		3,601	-	1,955	3,601	1,955
Equity accounted earnings	7	-	-	-	873	873
Net surplus before tax for the year		6,464	409	3,271	6,464	3,271
Tax expense	19	3,114	355	1,186	3,114	1,186
Net surplus after tax for the year		3,350	54	2,085	3,350	2,085

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement

Statement of Cash Flows

For the period 1 July 2006 to 30 June 2007

		Group		Parent	
		Actual	Budget	Actual	Actual
		2007	2007	2006	2006
notes		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Cash was provided from:					
Fees and other income		39,064	36,775	35,853	34,845
Dividends		748	80	1,254	1,254
Interest		64,678	60,945	55,177	55,167
		104,490	97,800	92,284	103,882
					91,266
Cash was applied to:					
Operating expenses		52,877	52,491	49,943	52,692
Interest		43,781	41,856	37,774	44,103
Taxation		1,549	356	1,061	774
GST		863	400	830	835
		99,070	95,103	89,608	98,920
					89,280
Net cash flows from operating activities	20	5,419	2,697	2,676	4,962
					1,986
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant & equipment		16	-	13	16
		16	-	13	16
					13
Cash was applied to:					
Purchase of property, plant & equipment		1,480	2,170	5,588	1,478
Net flows from trading & settlement of investments		10,417	71,500	110,552	10,418
		11,897	73,670	116,140	110,552
					116,140
Net cash flows from investing activities		(11,881)	(73,670)	116,127	(11,880)
					116,127
Cash flows from financing activities					
Cash was provided from:					
Net receipts from clients		19,026	70,973	105,334	19,486
		19,026	70,973	105,334	106,017
					19,486
Net cash flows from financing activities		19,026	70,973	105,334	106,017
Net increase (decrease) in cash		12,564	-	(8,117)	12,568
					(8,124)
Cash at beginning of period		9,335	5,000	17,452	9,325
					7,449
Cash at end of period		21,899	5,000	9,335	21,893
					9,325
Cash at Bank		13,023	5,000	9,443	13,017
Money market deposits at call		10,668	-	1,297	10,668
Overdraft		(1,792)	-	(1,405)	(1,792)
Cash at end of period		21,899	5,000	9,335	21,893
					9,325

The Statement of Accounting Policies and Notes to the Financial Statements form part of this financial statement

Statement of Commitments

As at 30 June 2007

Operating lease commitments

Commitments to be met by Public Trust are as follows:

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Payable within 1 year	3,873	4,295	3,873	4,295
Payable within 1-2 years	2,465	3,151	2,465	3,151
Payable within 2-5 years	2,227	3,669	2,227	3,669
Payable after 5 years	-	85	-	85
	8,565	11,200	8,565	11,200

Other commitments

Public Trust has no capital expenditure commitments as at 30 June 2007 (2006: \$73,000).

Public Trust, in connection with its mortgage lending activities, has commitments to a value of \$7.6 million as at 30 June 2007 to provide funding under un-drawn revolving credit facilities and approved but un-drawn applications. (2006: \$10.4 million).

Public Trust has no contracts to purchase services as at 30 June 2007 (2006: \$205,000).

Statement of Accounting Policies

For the year ended 30 June 2007

Reporting entity and statutory basis for reporting

Public Trust, the parent entity in the Public Trust Group, is a body corporate established by the Public Trust Act 2001 (the 2001 Act).

Public Trust is a Crown entity for the purposes of the Crown Entities Act 2004 (CEA). Public Trust is required to prepare an annual report that must include financial statements for the parent entity and the group. The financial statements must comply with generally accepted accounting practice.

Public Trust is an issuer for the purpose of the Financial Reporting Act 1993. The financial statements of Public Trust are required to comply with generally accepted accounting practice as defined by the Financial Reporting Act 1993.

Public Trust comprises the parent entity and includes those liabilities defined as the Common Fund by section 48 of the 2001 Act. The Public Trust Group comprises Public Trust and its subsidiaries. The activities and assets of the Group Investment Funds and Public Trust Investment Funds managed by Public Trust are not included except to the extent that Public Trust invests in those funds on its own account. Similarly the assets managed for individual trusts, except for cash held in the Common Fund, are not included.

Measurement basis

Historic cost and fair value accounting measurement bases are applied in the preparation of the financial report and statements.

Comparatives

Certain prior period balances may be restated to align with the current period's presentation. Where these are of a material nature, explanations are given in the notes to the financial statements. Since note 14 is showing overdraft and other financial liabilities for the first time, comparative figures of the previous year have been represented accordingly that needed restating the re-pricing gap at lower figures.

Accounting policies

Basis of consolidation

The consolidated financial statements include the parent entity and its significant subsidiary, New Zealand Permanent Trustees Limited. The initial purchase was accounted for using the purchase method so as to produce goodwill arising on consolidation as the difference between the fair value of consideration and net identifiable assets acquired. The consolidation process entails a line-by-line aggregation of the financial statements of the parent and subsidiary, the elimination of the investment in the subsidiary against equity acquired, and the elimination of intra-group transactions and balances.

Goodwill arising on consolidation

Goodwill is amortised in equal annual instalments over the period expected to benefit, which is 10 years. The resultant carrying value is subject to an impairment review to ensure that the carrying value does not exceed the recoverable amount.

Investment in subsidiary

The investment of the parent entity in New Zealand Permanent Trustees Limited is accounted for using the equity method of accounting. This entails recognising the parent's share of increases in post acquisition equity and amortising goodwill arising on acquisition over a 10-year period.

Assets

Investments

Investments in interest bearing securities (other than mortgages and advances to clients) and equities are carried at fair value.

Advances secured by mortgage and other advances to clients

Advances secured by mortgage and other advances are carried at the face value of principal outstanding, plus interest added to principal, less general and specific provision. Interest arising not yet added to principal, excluding that related to delinquent loans, is accrued as at balance date.

Statement of Accounting Policies

For the year ended 30 June 2007

A general allowance is made to estimate declines in recoverable amounts incurred but not yet known.

Where mortgages have been purchased at a discount or premium, that discount or premium is amortised on a yield to maturity basis over the expected average life.

Accrued income

Accrued income comprises interest arising not yet received or added to principal.

Debtors

The Crown debtor represents sums due, but not yet received, for services which the Crown pays Public Trust to deliver. Debtors of uncertain timing represent certain claims for estate administration services where payment is not due until an uncertain point in the future. The timing of the future cash flows has been based on life expectancy and discounted accordingly. Other debtors represent short term fees invoiced or about to be invoiced but not yet settled. These are carried at cash settlement value.

Property, plant and equipment

Property, plant and equipment is recorded initially at the cost necessary to bring each item into working condition. Until property, plant and equipment is brought into a workable condition, costs are accumulated as capital work in progress. At the point the asset is operational the cost, less estimated residual value, is depreciated in equal annual instalments across the asset's useful life. Property, plant and equipment is treated as funded from equity, accordingly no interest cost from financial liabilities is attributed to the relevant cost.

In the case of fixtures and fittings installed in leasehold properties, useful lives are considered to correspond to the shorter of contractual term of the relevant lease and the useful life of the asset. Useful lives are assessed annually to ensure they remain appropriate and are adjusted as necessary.

Useful economic lives are as follows:

Plant, furniture and fittings	3-10 years
IT equipment and software	3-5 years
Intangible IT assets	3-5 years

Liabilities

General

Other than as specified, liabilities are recognised when the goods and services to which they relate are received or as statutory obligations arise. Such liabilities are carried at the amount of cash required to settle those liabilities. Commitments, where the value of the goods or services yet to be received is approximately equal to the consideration to be paid, are not recognised, but are disclosed in the statement of commitments where material.

Liabilities to clients

These represent Public Trust's liabilities for client funds invested in the Common Fund. These liabilities are carried at the amount of cash required to settle those obligations.

Prepaid estate administration

Public Trust has entered into contracts, where a fee is taken in advance, for services to be delivered upon the death of the client. The liability to these clients is valued at the net present value of the estimated cost necessary to complete the contract, determined in accordance with the probabilities associated with life expectancy.

Provisions for employee entitlements

Provision is made for annual leave in accordance with the accumulated entitlement as at the balance date. This is carried at the cash amount necessary to settle the obligation. No allowance is made for non-vesting obligations such as sick leave.

Provision is made for long service leave on an actuarial basis. Projected cash flows are estimated in accordance with both national and entity experience.

Resultant projected cash flows are discounted in accordance with the risk free rate as they align with the term structure of interest rates.

Other provisions

The vacant space provision represents gross rentals payable on premises no longer used for operational purposes, less an estimate of value of the right to occupy, discounted at the risk free rate.

Statement of Accounting Policies

For the year ended 30 June 2007

All other provisions are recognised when Public Trust has a legal obligation, at the amount of cash estimated as necessary to settle the obligation or defend legal action.

Other: assets or liabilities

Derivatives

Interest rate swaps and forward rate agreements are specifically entered into to modify the interest rate character of designated interest bearing liabilities so as to align the interest rate character with that applicable to the interest bearing assets. These contracts are therefore accounted for on the same basis as the liability to which they relate.

Forward foreign exchange contracts are entered into to minimise the impact of currency fluctuations in respect to investments denominated in foreign currency.

Open contracts at year end are valued at fair value in accordance with the foreign currency policy.

Exchange traded options are entered to manage risk on equity investments. Open contracts are carried at fair value.

Where interest bearing securities are accounted for at fair value, so too are the related derivatives.

Otherwise, derivatives are accounted for on a cash settlement basis.

Leases

Leases where substantially all the risks and rewards of ownership do not transfer to Public Trust are treated as operating leases; otherwise they are treated as financing leases. Subject to the vacant space provision, such leases are recognised as expenses when payments are made.

Goods and services tax

All revenues and expenses are recognised net of goods and services tax (GST). Any GST on expenses, attributable to GST exempt supplies, which is thereby irrecoverable, is recognised in the statement of financial performance.

Where the cost of property, plant and equipment and intangible assets includes an element of irrecoverable GST, such costs are included as part of the initial carrying amount of the relevant asset.

Debtors and creditors are recognised inclusive of any applicable GST.

Foreign currency

Transactions in foreign currencies are translated to New Zealand dollars at the rate of exchange prevailing at the transaction date. At reporting date, foreign currency monetary assets and liabilities are translated to New Zealand dollars using the exchange rate prevailing at the reporting date. Exchange differences arising on the settlement or translation at balance date of foreign currency monetary items are recognised in the statement of financial performance.

Tax

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the rate of tax at which the liability, if any, will be paid.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits arising from tax losses, is only recognised if there is virtual certainty of realisation.

Presentation of cash flows

Cash flows from investment activities and receipts from clients are presented net. This is because the scale of gross cash flows would give a misleading view of the scale of the financial transactions undertaken.

Changes in accounting policy

There have been no changes in accounting policy since the preparation of the last financial statements for the year ended 30 June 2006 and all accounting policies have been applied on a consistent basis.

Notes to the Financial Statements

For the year ended 30 June 2007

		Group		Parent	
		2007	2006	2007	2006
	Notes	\$000	\$000	\$000	\$000
1 Interest bearing securities					
Local authorities		48,800	65,923	48,800	65,923
Banks		180,410	160,237	180,410	160,237
New Zealand Government		2,993	2,958	2,993	2,958
Mortgage backed securities		193,474	226,988	193,474	226,988
Corporates		111,435	75,222	111,435	75,222
Derivative liabilities	17	(701)	(431)	(701)	(431)
Derivative assets	17	3,150	369	3,150	369
		539,561	531,266	539,561	531,266
2 Trade debtors					
Crown		303	372	303	372
Debtors of uncertain timing		1,734	1,409	1,734	1,409
Investment securities awaiting settlement		32	845	32	845
Other		1,612	1,598	1,173	1,213
		3,681	4,224	3,242	3,839
3 Sundry debtors					
Expected reimbursements		44	295	44	295
Other		8	6	8	6
		52	301	52	301
4 Advances secured by mortgage					
Gross value		235,808	225,770	235,808	225,770
General allowance for doubtful debts		(901)	(836)	(901)	(836)
		234,907	224,934	234,907	224,934
General allowance for doubtful debts					
Opening balance		836	729	836	729
Charge for period		65	107	65	107
Closing balance		901	836	901	836

Notes to the Financial Statements**For the year ended 30 June 2007**

Notes	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
5 Property, plant and equipment				
Plant, furniture and fittings				
Cost	13,658	13,265	13,658	13,265
Accumulated depreciation	(8,873)	(7,987)	(8,873)	(7,987)
	4,785	5,278	4,785	5,278
IT equipment and software				
Cost	7,536	6,694	7,536	6,694
Accumulated depreciation	(4,991)	(4,756)	(4,991)	(4,756)
	2,545	1,938	2,545	1,938
Intangible IT assets				
Cost	7,948	8,330	7,948	8,330
Accumulated amortisation	(7,684)	(8,002)	(7,684)	(8,002)
	264	328	264	328
Capital work in progress				
Opening balance	695	1,741	695	1,741
Additions during the period	187	3,236	187	3,236
Transfers to depreciable property, plant and equipment	(806)	(4,132)	(806)	(4,132)
Transfers to expense	(76)	(150)	(76)	(150)
	-	695	-	695
Total property, plant and equipment	7,594	8,239	7,594	8,239

Certain assets classified as IT equipment and software have been reclassified as intangible IT assets. The comparative year has been restated accordingly.

6 Intangibles

Goodwill arising on acquisition	6,676	6,676
Opening accumulated amortisation	(4,172)	(3,504)
Charge for period	(668)	(668)
Closing accumulated amortisation	(4,840)	(4,172)
Closing goodwill	1,836	2,504

Notes to the Financial Statements**For the year ended 30 June 2007****7 Investment in subsidiary**

		Percent Held	
		2007	2006
New Zealand Permanent Trustees Limited		100%	100%
		Parent	
		2007	2006
		\$000	\$000
Notes			
Analysis of investment			
Original investment		7,831	7,831
Less: equity at date of acquisition		(1,155)	(1,155)
Goodwill		6,676	6,676
Less: amortised to date	6	(4,840)	(4,172)
		1,836	2,504
Add: net assets at end of period			
Net assets at beginning of period		4,655	4,070
Gross earnings arising in the period		873	873
Tax on earnings		(288)	(288)
		5,240	4,655
Carrying value at end of period		7,076	7,159

Notes to the Financial Statements**For the year ended 30 June 2007**

	Notes	Group		Parent	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
8 Current tax					
Opening balance		1,411	1,567	1,396	1,551
Foreign dividend withholding payments		(12)	779	(12)	779
Prior period adjustment		-	(208)	-	(208)
Tax expense		(2,598)	(1,009)	(2,310)	(721)
Cash paid		1,549	282	1,262	(5)
Closing balance		350	1,411	336	1,396
9 Deferred tax asset					
Opening balance		504	466	504	466
Credited to net surplus in period		269	38	269	38
Charged to net surplus		(773)	-	(773)	-
Closing balance		-	504	-	504

The Group and Parent has total gross timing differences of \$8.6 million (2006: \$5.1 million) which give rise to a deferred tax asset of \$2.8 million (2006: \$1.7 million). Timing differences of nil (2006: \$1.5 million) have been recognised with a tax effect of nil (2006: \$0.5 million).

Notes to the Financial Statements**For the year ended 30 June 2007**

Notes	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
10 Prepaid estate administration				
Opening balance	911	966	911	966
Amounts used	(119)	(164)	(119)	(164)
Increase in estimated cost of service	85	-	85	-
Discount	(29)	109	(29)	109
Closing balance	848	911	848	911

Public Trust has contracted to provide an estate administration service following the death of the contracting party. The uncertainties inherent in this arrangement are: the timing of the death of the client; the value and complexity of the estate to be administered; and the cost of service at that time. Public Trust has applied a life expectancy model to determine the likely dates of death. In respect to the discount, an increase in interest rate has been offset by acceleration of death rate.

11 Other creditors

Withholding taxes payable	920	778	920	778
Fringe Benefit Tax	135	84	135	84
Goods and Services Tax	445	469	445	469
Lease incentives	117	143	117	143
Employees	563	207	563	207
	2,180	1,681	2,180	1,681

12 Provisions for employee entitlements

Annual leave	899	755	899	755
Long service leave	2,587	2,702	2,587	2,702
Performance incentive payments	569	531	569	531
	4,055	3,988	4,055	3,988

Notes to the Financial Statements**For the year ended 30 June 2007**

Notes	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
13 Other provisions				
Remedial work & litigation				
Opening balance	663	688	663	688
Additions during the period	733	462	733	462
Amount applied during the period (cash paid)	(321)	(299)	(321)	(299)
Reversal of provision not used	(138)	(188)	(138)	(188)
Closing balance	937	663	937	663
Vacant space				
Opening balance	116	147	116	147
Amount applied during the period (cash paid)	(28)	(75)	(28)	(75)
Additions during the period	-	46	-	46
Discount	6	(2)	6	(2)
Closing balance	94	116	94	116
Total	1,031	779	1,031	779

The remedial work and litigation provision relates to a number of matters where fault with Public Trust's service delivery has been identified or alleged or other contractual disputes have arisen. Final resolution may take a number of years.

Insurance reimbursements of \$44,000 (2006: \$44,000) expected upon the final resolution of some of these matters have been recognised within sundry debtors.

The vacant space provision recognises the cost of leases of surplus premises through to the conclusion of the leases. The final lease expires in 2011.

Notes to the Financial Statements**For the year ended 30 June 2007****14 Interest rate management and re-pricing**

Group June 2007	Effective interest rate	Total \$000	6 months or less \$000	6 to 12 months \$000	1 to 2 years \$000	2 to 5 years \$000	Over 5 years \$000
Assets							
Cash and bank	7.00%	13,023	13,023	-	-	-	-
Money market deposits at call	8.00%	10,668	10,668	-	-	-	-
Interest bearing securities	8.34%	539,561	490,999	249	3,890	38,577	5,846
Advances to clients	9.40%	8,274	8,202	13	54	5	-
Advances secured by mortgage	8.70%	234,907	84,022	46,234	44,931	59,720	-
Other financial assets	n/a	25,028	25,028	-	-	-	-
		831,461	631,942	46,496	48,875	98,302	5,846
Liabilities							
Liabilities to clients							
- at call or short term	5.70%	402,196	402,196	-	-	-	-
Liabilities to clients							
- term deposits	7.25%	373,997	240,929	120,673	7,793	4,602	-
Accrued interest	n/a	7,738	6,092	1,460	105	81	-
Prepaid estate administration	n/a	848	848	-	-	-	-
Overdraft	7.00%	1,792	1,792	-	-	-	-
Other financial liabilities	n/a	4,273	4,273	-	-	-	-
		790,844	656,130	122,133	7,898	4,683	-
Derivatives							
Forward rate agreements		-	1,000,000	(1,000,000)	-	-	-
Interest rate swaps		-	165,020	(21,835)	(41,660)	(95,525)	(6,000)
		-	1,165,020	(1,021,835)	(41,660)	(95,525)	(6,000)
Re-pricing gap		40,617	1,140,832	(1,097,472)	(683)	(1,906)	(154)

Notes to the Financial Statements**For the year ended 30 June 2007****14 Interest rate management and re-pricing**

Group June 2006	Effective interest rate	Total \$000	6 months or less \$000	6 to 12 months \$000	1 to 2 years \$000	2 to 5 years \$000	Over 5 years \$000
Assets							
Cash and bank	6.25%	9,443	9,443	-	-	-	-
Money market deposits at call	7.30%	1,297	1,297	-	-	-	-
Interest bearing securities	7.60%	531,266	475,201	21,014	-	29,027	6,024
Advances to clients	9.40%	8,719	8,635	14	-	65	5
Advances secured by mortgage	8.40%	224,934	90,921	48,608	43,180	42,225	-
Other financial assets	n/a	28,354	28,354	-	-	-	-
		804,013	613,851	69,636	43,180	71,317	6,029
Liabilities							
Liabilities to clients							
- at call or short term	4.96%	424,108	424,108	-	-	-	-
Liabilities to clients							
- term deposits	6.71%	332,996	225,352	91,340	13,307	2,997	-
Accrued interest	n/a	6,857	5,125	1,352	325	55	-
Prepaid estate administration	n/a	911	911	-	-	-	-
Overdraft	6.25%	1,405	1,405	-	-	-	-
Other financial liabilities	n/a	3,870	3,870	-	-	-	-
		770,147	660,771	92,692	13,632	3,052	-
Derivatives							
Forward rate agreements		-	(7,000)	7,000	-	-	-
Interest rate swaps		-	127,895	(21,895)	(32,170)	(67,830)	(6,000)
		-	120,895	(14,895)	(32,170)	(67,830)	(6,000)
Re-pricing gap		33,866	73,975	(37,951)	(2,622)	435	29

Notes to the Financial Statements**For the year ended 30 June 2007****14 Interest rate management and re-pricing**

Parent June 2007	Effective interest rate	Total \$000	6 months or less \$000	6 to 12 months \$000	1 to 2 years \$000	2 to 5 years \$000	Over 5 years \$000
Assets							
Cash and bank	7.00%	13,017	13,017	-	-	-	-
Money market deposits at call	8.00%	10,668	10,668	-	-	-	-
Interest bearing securities	8.34%	539,561	490,999	249	3,890	38,577	5,846
Advances to clients	9.40%	8,274	8,202	13	54	5	-
Advances secured by mortgage	8.70%	234,907	84,022	46,234	44,931	59,720	-
Other financial assets	n/a	24,589	24,589	-	-	-	-
		831,016	631,497	46,496	48,875	98,302	5,846
Liabilities							
Liabilities to clients							
- at call or short term	5.70%	402,196	402,196	-	-	-	-
Liabilities to clients							
- term deposits	7.25%	373,997	240,929	120,673	7,793	4,602	-
Accrued interest	n/a	7,738	6,092	1,460	105	81	-
Prepaid estate administration	n/a	848	848	-	-	-	-
Overdraft	7.00%	1,792	1,792	-	-	-	-
Other financial liabilities	n/a	4,268	4,268	-	-	-	-
		790,839	656,125	122,133	7,898	4,683	-
Derivatives							
Forward rate agreements		-	1,000,000	(1,000,000)	-	-	-
Interest rate swaps		-	165,020	(21,835)	(41,660)	(95,525)	(6,000)
		-	1,165,020	(1,021,835)	(41,660)	(95,525)	(6,000)
Re-pricing gap		40,177	1,140,392	(1,097,472)	(683)	(1,906)	(154)

Notes to the Financial Statements**For the year ended 30 June 2007****14 Interest rate management and re-pricing**

Parent June 2006	Effective interest rate	Total \$000	6 months or less \$000	6 to 12 months \$000	1 to 2 years \$000	2 to 5 years \$000	Over 5 years \$000
Assets							
Cash and bank	6.25%	9,433	9,433	-	-	-	-
Money market deposits at call	7.30%	1,297	1,297	-	-	-	-
Interest bearing securities	7.60%	531,266	475,201	21,014	-	29,027	6,024
Advances to clients	9.40%	8,719	8,635	14	-	65	5
Advances secured by mortgage	8.40%	224,934	90,921	48,608	43,180	42,225	-
Other financial assets	n/a	27,969	27,969	-	-	-	-
		803,618	613,456	69,636	43,180	71,317	6,029
Liabilities							
Liabilities to clients							
- at call or short term	4.96%	424,108	424,108	-	-	-	-
Liabilities to clients							
- term deposits	6.71%	332,996	225,352	91,340	13,307	2,997	-
Accrued interest	n/a	6,857	5,125	1,352	325	55	-
Prepaid estate administration	n/a	911	911	-	-	-	-
Overdraft	6.25%	1,405	1,405	-	-	-	-
Other financial liabilities	n/a	3,845	3,845	-	-	-	-
		770,122	660,746	92,692	13,632	3,052	-
Derivatives							
Forward rate agreements		-	(7,000)	7,000	-	-	-
Interest rate swaps		-	127,895	(21,895)	(32,170)	(67,830)	(6,000)
		-	120,895	(14,895)	(32,170)	(67,830)	(6,000)
Re-pricing gap		33,496	73,605	(37,951)	(2,622)	435	29

The effective interest rate is the weighted average of market yields at period end, stated net of derivative instruments where applicable.

Interest received at 7.00% is on the net position of Cash & bank and Overdraft. Interest would have been charged at 10.00% if the net position was negative.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. In the case of a lending operation there is also a risk that when borrowing and investing opportunities differ in terms of the ability to re-set interest rates that the lender's margin can be dissipated by changes in market interest rates.

Interest rate risk is managed, subject to liquidity and credit risk requirements, by matching, within approved limits, the interest rate re-pricing gap between financial assets and financial liabilities. Where no natural match can be established, interest rate swaps and forward rate agreements are entered into to create a hedge.

Overdraft and other financial liabilities have been shown for the first time in this note, which has resulted in re-stating previous year's re-pricing gap ('total' and '6 months or less') at a lower figure.

Notes to the Financial Statements**For the year ended 30 June 2007****15 Currency risk management**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Exposure to foreign exchange fluctuations is managed by hedging to New Zealand dollars using forward exchange contracts.

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Total Foreign Currency Investments	26	3,530	26	3,530
Foreign currency hedge	(26)	(3,415)	(26)	(3,415)
Net open position	-	115	-	115
Foreign exchange contract				
New Zealand dollar leg	27	3,434	27	3,434
Foreign currency leg	(26)	(3,415)	(26)	(3,415)
Fair value of contract in gain position	1	19	1	19

16 Credit risk

Credit risk is the risk that counterparty to a financial asset will fail to meet its obligation to pay.

Public Trust had exposures to the following classes of assets

Real estate mortgages secured by underwriting agreement	8,389	11,889	8,389	11,889
Real estate mortgages	227,367	213,721	227,367	213,721
Mortgage backed securities	195,708	229,357	195,708	229,357
Advances to clients	8,274	8,719	8,274	8,718
Local authorities	49,302	66,728	49,302	66,728
Registered banks	207,864	175,080	207,857	175,071
New Zealand Government	2,993	2,958	2,993	2,958
Corporate - Equities	15,296	18,486	15,296	18,486
Corporates - Fixed interest	112,536	72,520	112,536	72,522
Receivables	3,732	4,555	3,294	4,168
	831,461	804,013	831,016	803,618

Credit exposure for off-balance sheet derivatives is presented in note 17.

Notes to the Financial Statements

For the year ended 30 June 2007

16 Credit risk (continued)

Credit policy

Security for advances secured by mortgage comprises a registered first mortgage over freehold or leasehold property. Standard policy is that mortgage advances should not exceed at the time of making the loan:

- 90% of the value of residential properties
- 66% of the value of commercial properties
- 50% of the value of rural properties

Where a residential loan exceeds 80% of the valuation, the mortgage security is supplemented by Mortgage Lenders Insurance.

Advances to client beneficiaries are secured by statutory charge supplemented by an assignment of their interest in the relevant estate. Advances to client estates are secured by statutory charge which may, where estate assets are not vested in Public Trust, be supplemented by registered charge.

Mortgage backed securities are investment products where sums invested are secured over property and by underwriting arrangements. All other investments are in institutions that meet set credit criteria.

Concentration of credit risk 2007 - Group & Parent

Number of counter-parties by asset class

	\$10m-\$20m	\$20m-\$30m	\$30m-\$40m	\$40m-\$50m
	number	number	number	number
Registered bank	2	1	2	1
Mortgage backed securities issuer	5	2	2	-
Corporate - Equities	1	-	-	-
Corporate - Fixed interest ¹	2	2	-	1
Local authorities	2	-	-	-

Concentration of credit risk 2006 - Group & Parent

Number of counter-parties by asset class

	\$10m-\$20m	\$20m-\$30m	\$30m-\$40m	\$40m-\$50m
	number	number	number	number
Registered banks	1	2	2	1
Mortgage backed securities issuer	3	2	2	1
Corporate - Fixed interest ¹	2	3	-	-
Local authorities	-	4	-	-

¹ All Corporates - Fixed interest have Standard and Poor's short term credit rating of A1 or higher.

Notes to the Financial Statements**For the year ended 30 June 2007****17 Fair value**

Cash and bank, Money market deposits at call, Advances to clients at call, Accrued income, Trade debtors, Sundry debtors, Trade creditors, Other creditors, Provisions for employee entitlements, Other provisions, Loan from subsidiary (parent)

All these financial instruments are at call or are able to be settled in the short term. Accordingly, they are carried at cash settlement value. Due to the short-term nature of the instruments there is no material difference between the face value and fair value.

Debtors of uncertain timing, Vacant space provision, Long service leave provision

These financial instruments have been discounted to present value and therefore are shown at fair value.

Interest bearing securities and equity investments

These financial instruments are valued at fair value.

Advances secured by mortgage and other advances to clients

Mortgages and other advances to clients are financial instruments intended to be held to maturity and carried at cost. Processes and policies are currently being formulated as part of the NZ IFRS conversion programme to undertake a valuation for disclosures purposes. The fair value of mortgages is influenced by movements in interest rates, term structure, repayment profiles, portfolio experience and quality of lending decision.

Liabilities to clients

The fair value of liabilities to clients at call is equivalent to their face value which is the carrying value.

Processes and policies are currently being formulated as part of the NZ IFRS conversion programme to undertake a valuation for disclosures purposes. Liabilities for prepaid estate administration are actuarially valued.

This value represents an approximation of fair value.

Derivatives

Derivative gains or losses are offset by losses or gains in the instruments to which they relate. Where the fair value of the hedged instrument is recognised, so too is the fair value of the related derivative. Where the hedged instrument is carried at cost neither the gain nor loss on the fair value of the related derivative is recognised.

	Group & Parent			Group & Parent		
	2007			2006		
	Carrying Value \$000	Fair Value \$000	Notional Value \$000	Carrying Value \$000	Fair Value \$000	Notional Value \$000
Recognised						
Interest rate swap assets	1,793	1,793	50,000	-	-	-
Interest rate swap liabilities	-	-	-	(219)	(219)	15,000
Forward rate agreement liabilities	(701)	(701)	280,000	(212)	(212)	512,000
Forward rate agreement assets	1,357	1,357	793,000	369	369	545,000
Unrecognised						
Interest rate swap liabilities	-	(2)	1,725	-	48	60,675
Interest rate swap assets	-	2,338	124,885	-	549	123,740

Fair value information for foreign currency derivatives is given in note 15.

Notes to the Financial Statements**For the year ended 30 June 2007****18 Revenues arising and expenses incurred in arriving at net surplus**

In addition to the items reported on the statement of financial performance, net surplus is stated after charging or crediting the following:

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Audit fees	182	166	177	161
Audit fees for non-consolidated managed funds	143	130	143	130
Other fees paid to auditors	164	20	164	20
Bad debts				
- Bad debts written off	10	11	10	11
- Movement in mortgage provisions	65	107	65	107
- Movement in other provisions	(24)	(8)	(24)	(8)
Remuneration	35,418	32,367	35,418	32,367
Depreciation & Amortisation				
Property, plant and equipment	1,115	1,038	1,115	1,038
IT equipment & software	706	674	706	674
IT Intangibles	110	215	110	215
	1,931	1,927	1,931	1,927
Total income:				
Total interest and distributions	66,038	58,162	66,038	58,162
Total fee and other revenues	34,596	31,328	33,881	30,429
Crown revenue	4,500	4,500	4,500	4,500
Net gains/(losses) on investments	3,733	1,879	3,733	1,879
Net foreign exchange gain (loss) on investments	(132)	76	(132)	76
	108,735	95,945	108,020	95,046

Other fees paid to auditors relates to NZ IFRS transition support services and assurance services for the non-consolidated managed funds' prospectus.

For financial instruments, only the net gains or losses on disposals are included in total income.

Notes to the Financial Statements**For the year ended 30 June 2007****18 Revenues arising and expenses incurred in arriving at net surplus (continued)**

Remuneration of Board Members	Group & Parent 2007		Group & Parent 2006	
	Board \$000	Sub Committee \$000	Board \$000	Sub Committee \$000
Peter Taylor	42	-	42	-
Elizabeth Coutts ¹	22	6	26	8
Donal Curtin	21	5	21	5
David Edwards ²	4	-	-	-
Robin Hill ²	4	1	-	-
Patrica Jones ³	7	-	21	-
Kai-Shek Luey ⁴	-	-	17	-
Stephanie McIntyre ¹	18	-	21	-
Fiona Pimm	21	-	21	-
Sarah Roberts ²	4	-	-	-
Hon. Matthew Robson ⁵	21	-	3	-
Murray Weatherston	21	10	21	10
	185	22	193	23

1 Retired in April 2007

2 Appointed in May 2007

3 Retired in October 2006

4 Retired in April 2006

5 Appointed in May 2006

Employee remuneration

The number of employees whose remuneration paid exceeds \$100,000 is presented in the following bands

Remuneration Band	Number of Employees	
	2007	2006
\$100,000 to \$109,999	18	11
\$110,000 to \$119,999	9	5
\$120,000 to \$129,999	7	7
\$130,000 to \$139,999	4	3
\$140,000 to \$149,999	2	1
\$150,000 to \$159,999	4	1
\$160,000 to \$169,999	1	1
\$170,000 to \$179,999	-	1
\$180,000 to \$189,999	1	1
\$200,000 to \$209,999	-	2
\$210,000 to \$219,999	1	1
\$220,000 to \$229,999	3	-
\$230,000 to \$239,999	-	1
\$270,000 to \$279,999	1	-
\$340,000 to \$349,999	-	1

Notes to the Financial Statements**For the year ended 30 June 2007*****18 Revenues arising and expenses incurred in arriving at net surplus (continued)***

Remuneration is inclusive of payments for leave entitlements and, for those employees who left Public Trust's service during the year, exclusive of any compensation or other benefits paid in respect of employment cessation.

Employment cessation payments

During the year, two employees received a total of \$271,000 (2006: nil) relating to the cessation of their employment with Public Trust.

Insurance and Indemnities

Public Trust affects Board Member and officers' liability, statutory liability and professional indemnity insurance cover in respect of liability for loss or costs incurred by a member of the Board or an employee of Public Trust (or any of its subsidiaries) in the course of their duties to Public Trust.

Public Trust indemnifies employees in respect of liability for loss or cost they incur in the course of their duties to Public Trust, provided that they have acted in good faith and in accordance with internal processes and practices.

Notes to the Financial Statements**For the year ended 30 June 2007****19 Tax expense**

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Operating surplus before tax	6,464	3,271	6,464	3,271
Income tax at 33%	2,133	1,079	2,133	1,079
Add (deduct) tax effect of permanent and timing differences				
Prior period adjustment	-	9	-	9
Non-deductible expenses	210	216	210	216
Deferred tax asset written-off	773	-	773	-
Imputation credits	(14)	(125)	(14)	(125)
Foreign dividend withholding payments	12	7	12	7
	3,114	1,186	3,114	1,186
Current tax	2,598	1,217	2,310	929
Foreign dividend withholding payments	12	7	12	7
Equity accounted tax	-	-	288	288
Deferred tax asset arising	(269)	(38)	(269)	(38)
Deferred tax asset written-off	773	-	773	-
	3,114	1,186	3,114	1,186

Public Trust, after applying group loss relief, has no unrecognised tax losses (2006: nil), the tax effect of which amounts to nil (2006: nil).

Imputation credit account				
Opening balance	3,992	2,746	3,254	2,295
Payments (refunds) during the period	1,549	282	1,262	(5)
Dividend withholding payments credits	-	779	-	779
Imputation credits	21	185	21	185
Closing balance	5,562	3,992	4,537	3,254

Notes to the Financial Statements**For the year ended 30 June 2007****20 Reconciliation of operating surplus to net cash flow from operating activities**

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Net surplus	3,350	2,085	3,350	2,085
<i>Items relating to property, plant & equipment</i>				
Depreciation & amortisation	1,931	1,913	1,931	1,913
Loss on sale of property, plant & equipment	57	12	57	12
GST on capital creditor	13	(151)	13	(151)
<i>Items relating to investment in subsidiary</i>				
Amortisation of goodwill	668	668	668	668
Equity accounted earnings	-	-	(873)	(873)
Management fee accrual	-	-	303	279
<i>Items relating to investments</i>				
Realised (gains) losses on disposal of investments	(1,930)	(316)	(1,930)	(316)
Unrealised (gains) losses on investments	(1,671)	(1,639)	(1,671)	(1,639)
Amortisation of premiums & discounts	57	2,062	57	2,062
Change in provision for doubtful debts	65	107	65	107
<i>Other items</i>				
(Increase) decrease in Accrued income	(668)	(3,796)	(668)	(3,796)
(Increase) decrease in Trade debtors, see note below	(270)	147	(216)	51
(Increase) decrease in Sundry debtors	249	(77)	249	(77)
(Increase) decrease in Current tax	1,061	156	1,060	155
(Increase) decrease in Deferred tax	504	(38)	504	(38)
(Increase) decrease in Prepayments	244	184	244	185
Increase (decrease) in Trade creditors, see note below	100	(23)	120	(7)
Increase (decrease) in Accrued Interest	881	1,315	881	1,315
Increase (decrease) in Other creditors	499	125	499	125
Increase (decrease) in Prepaid income	(40)	16	-	-
Increase (decrease) in Provisions for employee entitlements	67	(18)	67	(18)
Increase (decrease) in Other provisions	252	(56)	252	(56)
Net cash flows from operating activities	5,419	2,676	4,962	1,986
Trade debtors movement per statement of financial position	543	(698)	597	(794)
Less: movement in investment securitites awaiting settlement	(813)	845	(813)	845
(Increase) decrease in Trade debtors per above	(270)	147	(216)	51
Trade Creditors movement per statement of financial position	(96)	(1,159)	(76)	(1,143)
Less: movement of capital creditors	108	1,226	108	1,226
Less: movement in investment creditors	88	(90)	88	(90)
Increase (decrease) in Trade creditors per above	100	(23)	120	(7)

Notes to the Financial Statements

For the year ended 30 June 2007

21 Related parties

By virtue of ownership the Crown is considered to have significant influence over Public Trust. Accordingly the Crown and all of its related parties are related parties of Public Trust. Transactions with all of these related parties are pervasive and it is not practical to isolate and report on them. All such transactions are carried out on an “arm’s length” basis.

Crown revenue of \$4.5 million (2006: \$4.5 million) arises from an output agreement between Public Trust and the Minister Responsible for Public Trust (with the agreement of the Minister of Finance). The agreement covers certain non-commercial services that are either paid for or subsidised by the Crown to ensure that, among other things, reason of affordability does not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs. The Statement of Service Performance reports against these outputs. Payment for these services is managed by the Ministry of Justice on behalf of the Crown.

In addition Public Trust manages twenty nine Group Investment Funds and this management relationship confers significant influence on the funds. The following specific transactions took place during the year in relation to the Group Investment Funds.

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Reimbursement of expenses	1,806	1,779	1,806	1,779
Management fee	3,267	3,089	3,267	3,089
Interest paid to Group Investment Funds	9	873	9	873
Interest received from Group Investment Funds	22	40	22	40

Balances owed to these funds at balance date totalled \$3,000 (2006: \$11,000 receivable).

The Common Fund is the primary banker for these funds. At balance date the funds had a total overdrawn position of \$34,000 (2006: overdrawn \$117,000).

22 Segmental reporting

Public Trust operates predominantly in the business of managing and administering estates and other trusts in New Zealand. Public Trust engages in related businesses such as trustee services, mortgage lending, management of investment funds and the taking of deposits.

23 Contingent assets

Public Trust does not recognise such assets which may arise from work performed but not yet billed to estates or other clients. No systems are available to allow such an asset, should one exist, to be reliably measured.

24 Comparison of budget to actual

Assets and liabilities

Liabilities to clients increased \$20 million compared with a budgeted increase of \$56 million, with term deposits close to budget and a decline in client liabilities invested in call or short term deposits. Origination of mortgages in the competitive home lending market did not meet budget.

Income

Income from financial instruments increased as a result of higher balances and improved margin from client liabilities, interest bearing securities and free working capital. Operating revenue was above budget including above budget returns from Corporate Trustee Services, estates, trusts, mortgage administration income and personal management services. The budget for Crown revenue was achieved. Exceptional gains on investments arose as a result of favourable investment markets and made a significant contribution to the results.

Notes to the Financial Statements

For the year ended 30 June 2007

Expenses

Personnel costs were contained within budget with above budget non-personnel costs resulting in operating costs slightly above budget. Continued focus on cost management enabled continued selected investment in business plan initiatives and special projects to build organisational capability and complete the review of the strategic direction of the business. Increased provisions for remedial work and professional assistance associated with additional Corporate Trustee Services business were the main contributors to variance from budget.

Net Surplus and Equity

The exceptional investment gains, improved operating revenue and income from financial instruments exceeded the increase in operating expenses and the net surplus before tax was substantially above budget. Tax expense was higher than budget as a result of the increase in net surplus before tax and the write-off of deferred tax asset where virtual certainty of realisation does not exist. The resulting higher than budget net surplus after tax increased equity at the end of the period in comparison to budget.

25 Transition to New Zealand International Financial Reporting Standards

Introduction

Public Trust will adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for the year ended 30 June 2008. The date of transition was, therefore, 1 July 2006.

Upon first time adoption of NZ IFRS, comparative information will be restated in the NZ IFRS compliant financial statements. Details of the impact of the adoption of NZ IFRS upon comparative information, for the year ended 30 June 2007, will be set out in those financial statements. Because the year ended 30 June 2007 is the year in which transition takes place, an opening position was established as at 1 July 2006.

Conversion project

In 2006 Public Trust established a conversion project to achieve transition to NZ IFRS reporting. The first phase of the project involved assessing the impacts of NZ IFRS to Public Trust. The second phase entails designing and implementing changes to current accounting policies, procedures and systems in order to successfully give effect to the transition to NZ IFRS. While the assessment phase has been completed, the quantitative impacts of changes have not been determined in all cases as at 30 June 2007. The areas identified as requiring changed accounting policies which potentially have a significant impact on the NZ IFRS financial statements of Public Trust are set out below.

The impacts of the transition outlined below are based on the current interpretation of the NZ IFRS that have been released to date. There is potential for the significance of the impact to change when Public Trust prepares its first full set of NZ IFRS financial statements due to changes in standards, changes in the business, or changes in interpretation of the standards.

Investment in subsidiary and resultant goodwill

The current policy is to amortise goodwill arising on acquisition over its expected useful life. Under NZ IFRS periodic amortisation will cease and goodwill will be subject to an impairment testing regime. Public Trust has elected to carry goodwill at its amortised value at transition date.

The goodwill amortised under current generally accepted accounting practice (GAAP) for the year ended 30 June 2007 was \$668,000. Under NZ IFRS, the amortisation is added back and the carrying value of the goodwill at 30 June 2007 will be \$2,504,000.

A proposed concession currently being exposed allows an investor to carry its investment in subsidiaries at net asset value at transition date. Subject to the goodwill component, equity accounting caused the investment value to equate to net asset value. Consequently, no adjustment is necessary as at the date of transition. However, equity accounted earnings of \$873,000 for the year ended 30 June 2007 will be eliminated against the investment in subsidiary under NZ IFRS.

Notes to the Financial Statements**For the year ended 30 June 2007****General allowance in relation to mortgages (loan impairment)**

Public Trust carries a general allowance for bad debts which may occur in the current mortgage portfolio. Under NZ IAS 39 Financial Instruments: Recognition & Measurement (NZ IAS 39) the general allowance will be discontinued and specific provisions will be made on an assessment of individual mortgages.

General allowance under current GAAP for the year ended 30 June 2007 was \$901,000. At transition \$836,000 was written back against retained earnings. The movement of \$65,000 for 2007 will be written back against bad debts expense in the statement of financial performance under NZ IFRS

Financial instruments at fair value

Current policy is to apply a mid-market price when calculating the fair value of financial instruments. NZ IAS 39 requires that the bid price is used in the valuation of financial instruments. The reduction in value in investments at fair value is not expected to be material as at 30 June 2007.

Derivative - Financial instruments, including hedging

Public Trust uses interest rate swaps to manage its interest rate risk. Some of these are subject to hedge accounting under current GAAP and not recognised on the balance sheet. In accordance with NZ IAS 39 Public Trust expects to continue to apply hedge accounting to these swaps, in which case the gain or loss on the changes in value of the derivative will be recorded in equity until the cash settlement of each instrument. Information about the fair value of all derivatives is given in notes 14, 15 and 17.

Mortgage application fees and mortgage brokerage fees

Costs and revenues associated with the acquisition of mortgages are currently recognised when they arise. NZ IAS 18 Revenue and NZ IAS 39 require, in some circumstances that these items are to be treated effectively as discounts or premiums on acquisition of the mortgage, and accounted for as part of the interest yield. The accumulated net effect of applying a deferral policy is not known but is not expected to be material.

Sick leave

Most employees at Public Trust have a sick leave entitlement that accumulates as the level of their service increases. Under current NZ GAAP, no liability for accumulating sick leave is recognised. NZ IAS 19 Employee Benefits requires such an entitlement to be recognised as a liability. The liability as at 30 June 2007 is not known but is not expected to be material.

Taxation

Under NZ IAS 12 Income Taxes (NZ IAS 12) tax effect accounting is based on temporary differences rather than on timing differences as is required under current GAAP. The change from the one basis to the other is expected to have no effect on any deferred tax asset or liability.

NZ IAS 12 allows deferred tax assets to be carried as long as realisation is more probable than not. This contrasts with current practice which requires realisation to be virtually certain. As a result a larger deferred tax asset may be required to be recognised than is currently the case.

Good Employer Report

For the year ended 30 June 2007

During 2006/2007 Public Trust worked to improve the outcomes relating to the fair and proper treatment of all employees. These included requirements relating to...

- Provision of good and safe working conditions
- Equal employment opportunities
- Impartial and transparent recruitment and selection practices
- Recognition of the aims, employment requirements and involvement of Maori
- Opportunities for the enhancement of individual employees abilities
- Recognition of the aims, employment requirements and involvement of ethnic or minority groups
- The employment requirements of persons with disabilities

The areas of focus are divided across seven major areas.

People and culture

We saw an improvement in our annual workplace attitude survey satisfaction rating improved from 2.84 to 2.75 (a score of 1 is high and 5 is low). This improvement reflects increasing engagement with our workforce, stronger employee alignment with our strategic vision, improvement in attitude relating to process and practice change and greater robustness in our remuneration approach.

During the year we continued to work with the Public Service Association on initiatives that affected staff.

Recruitment, selection and induction

We continue to use a range of recruitment activities to encourage a broad range of applicants while ensuring we maintain minimum skill and capability requirements for roles.

We filled ninety three positions in the 2006/2007 year.

Using structured recruitment and selection practices we continue to ensure that appointments meet our policy requirements and are on the basis of merit and not influenced by irrelevant considerations.

Appropriate induction of employees continued this year with new employees undertaking both a full day induction course and a self paced induction pack.

We have retained our membership of the EEO Trust and continue to use the EEO Employers Group branding for all external advertisements we place. In addition, every Job Description contains our EEO statement of intent.

Employee development, promotion and exit

The average expenditure on employee development, covering both internal and external courses and conferences, was \$1,115 per employee including travel and accommodation. This included...

- 86 people undertaking orientation
- 357 people undertaking internal courses
- 248 people participating in external courses
- 25 employees who undertook formal tertiary study through a range of institutions.

In addition to these specific development initiatives opportunities also existed for employees to...

- participate in internal secondments
- act up in higher and/or different roles
- become involved in specific projects.

We have also strengthened our focus on exit interviews as a mechanism to gather relevant data, in sufficient volumes, to inform us to what leads employees to a decision to leave Public Trust. Improvements in practices resulting from this feedback will become more visible in 2007/2008.

Flexibility and work design

We have continued to support flexible work hours and practices while balancing the business, health and safety requirements. We have fifty employees who have flexible practices – being either reduced hours, compressed or reduced weeks or a proportion of hours from home. The requirement for flexible work practices generally relates to women with young families who must balance care requirements with work requirements.

Remuneration, recognition and conditions

For the 2006/2007 year Public Trust moved to a revised remuneration system which improved the consistent application of remuneration changes across all employees. This is backed up by a transparent, consistent and gender neutral performance assessment system.

Alongside our performance system we have procedures to reward and recognise employees for additional contributions they make. These fall into several major categories...

- high achiever incentives
- allowances
- “Our stars” programme (a bi-monthly contestable award recognising service over and above that which would normally be expected)

Harassment and bullying prevention

We re-enforced our commitment to zero tolerance of bullying and harassment. A specific bullying and harassment training and awareness module was implemented across the organisation during 2006/2007.

Safe and healthy environment

We have continued to develop and focus on our Health and Safety systems, processes and policies with specific references to minimising hazards which employees face in the workplace. A greater focus and attention is being given to our health, safety and welfare programme with an objective of attaining a tertiary level of ACC accreditation.

We undertook two specific Health and Safety training modules for all staff and a review of our farm health and safety practices during the year.

An accident that claimed the life of a farm worker on one of the farms Public Trust manages highlights the importance of working to achieve the highest possible standard of work safety practices.

Statement of Service Performance

For the year ended 30 June 2007

Non-commercial activities

The principal functions of Public Trust are to carry out the duties prescribed in the Public Trust Act 2001. Public Trust and the Responsible Minister (with the agreement of the Minister of Finance) have entered into an output agreement in respect of the 2006/07 financial year. Under that agreement certain non-commercial services are either paid for or subsidised by the Crown to ensure that, among other things, reasons of affordability do not prevent or preclude New Zealanders from obtaining key services relating to the management of their estates and personal affairs. Payment for these services is managed by the Ministry of Justice on behalf of the Crown.

The non-commercial services provided by Public Trust under the output agreement are classified as Provision of Protective Fiduciary Services, and defined as follows:

- (a) advice on Wills and the preparation of Wills;
- (b) non-commercial services with respect to the protection of personal property rights;
- (c) advice on behalf of incapacitated persons for the protection of personal property rights;
- (d) non-commercial services for the administration of small and/or complex estates and trusts;
- (e) other non-commercial public functions.

Performance criteria are contained in the output agreement. The description of each output and the key performance measures for the year to 30 June 2007 are set out below. Quality and timeliness measures stated in the Statement of Intent refer to general performance criteria only (i.e. that services will comply with legislation, regulatory and industry standards). These are supported by more specific measures for each output in the Memorandum of Understanding, and these measures are reported on below.

Output class: provision of protective fiduciary services

Output 1: Wills advice and preparation

Description

Advice to New Zealanders on the benefits of Will-making and preparation of a Will if so requested.

Performance Criteria

Quantity

Performance Measure	Achievement
7,000 new and 14,000 revised Wills made appointing Public Trust as executor.	Achieved. 23,306 Wills (7,847 new and 15,459 revised) written

Quality and timeliness

Performance Measure	Achievement
Standards are set through the computerised Wills Expert System (WES) and documented in Wills making "best practice". These will be reviewed once a year and on any changes to legislation.	Achieved
Internal legal audit of 25 Wills per month will be undertaken with an error rate of no more than one requiring re-writing.	Achieved
Public Trust's bench mark is to obtain an overall customer satisfaction rating of 8.0 on a scale of 1 to 10 where 1 is completely unsatisfactory and 10 is perfect.	Achieved with a satisfaction rating of 8.1
95% of Wills will be available for signing within 7 days of taking instructions.	Achieved

Output 2: Protection of Personal and Property Rights Non-Commercial Services

Description

Administration, audit and advice services to incapacitated persons pursuant to the Protection of Personal and Property Rights Act 1988 (PPPR) under orders or elections, or under Public Trust Agencies, where charges to the recipient will not meet the costs of the service.

Performance Criteria

Quantity

Performance Measure	Achievement
6,500 actions and 7,000 hours spent providing service under the Protection of Personal and Property Rights Act.	Not achieved due to insufficient demand. 6204 actions, 7,287 hours

Quality and timeliness

Performance Measure	Achievement
Administration of financial affairs: 95% re-appointment as manager following review of management by Family Court.	Achieved
Administration of financial affairs: no complaints from relatives and caregivers, relating to individual interests of the beneficiaries.	Achieved
Examination of Private Manager Statements: no complaints received for the late filing of Private Manager Statements to Courts.	Achieved

Output 3: Advice for the Protection of Personal and Property Rights

Description

Advice and research by Public Trust relating to enquiries on behalf of incapacitated persons on matters relevant to the Protection and Personal Property Rights Act 1988 or under Public Trust Agencies where charges to the recipient will not meet the costs of the service.

Performance Criteria

Quantity

Performance Measure	Achievement
1,000 hours spent providing services on behalf of incapacitated persons.	Achieved – 1,346 hours

Quality and timeliness

Performance Measure	Achievement
All enquiries will be acknowledged within 5 days of receipt. Urgent cases will be responded to within 1 working day.	Achieved
95% of complex cases will be actioned within 5 working days.	Achieved
Complaints from customers will be less than 1% of cases dealt with.	Achieved – no complaints received

Output 4: Small estates and trusts

Description

Administration of small and/or complex estates and trusts for which reasonable charges do not cover costs.
Providing advice and assistance to deal with assets that do not warrant formal administration, whether or not a Will has been made.

Performance Criteria

Quantity

Performance Measure	Achievement
11,500 hours spent administering small and/or complex estates and trusts. 493 hours spent providing advice on small and/or complex estates and trusts. 1,100 tax returns.	Not Achieved due to insufficient demand. The number of hours spent was 8,496 on administering small and or complex estates. 760 hours spent on advice, 517 hours on manual tax returns (689 individual returns) and 776 automated tax returns- totalling 1,465 tax returns.

Quality and timeliness

Performance Measure	Achievement
90% compliance with Public Trust processes, Best Practice standards and Output Agreement Charging Policies – to be assessed by a review process of a random sample of 3 contract files per Customer Services Officer per quarter.	Achieved
All enquiries will be acknowledged within 5 days of receipt.	Achieved
Urgent cases will be responded to within 1 working day.	Achieved
95% of complex cases will be actioned within 5 working days.	Achieved
Public Trust's benchmark is to obtain an overall customer satisfaction rating of 8.0 on a scale of 1 to 10 where 1 is completely unsatisfactory and 10 is perfect.	Achieved with a satisfaction rating of 8.2

Output 5: Administration of assets and other public functions**Description**

Representation, audit, review, administration of the assets of missing, unknown or incapable owners arising from Parts 7 & 8 of the Public Trust Act 2001 and several other statutes that represent a public function, for which Public Trust has no prospect of being paid or charges are insufficient to cover costs.

Performance Criteria**Quantity**

Performance Measure	Achievement
10 hours spent providing services involving public functions in relation to assets and rights of missing, unknown or incapable owners.	Not achieved not achieved due to insufficient demand. 2.75 hours spent

Quality and timeliness

Performance Measure	Achievement
98% compliance with agreed mandatory aspects of estate administration as shown by internal audit review.	Achieved

Outputs 1-5: Location and accessibility

Performance Measure	Achievement
Staff will be available nationally during normal business hours.	Achieved
Web site will be available 24 hours per day with no more than 0.5% down time.	Achieved
0800 phone lines available during standard office hours.	Achieved

Outputs 1-5: Appropriation (GST exclusive)

Budget	Achievement
Total appropriation \$4,500,360.	Cost to the Crown \$4,500,360
Expenses incurred (includes direct and allocated overhead costs) \$9,316,000	\$8,781,000

Report of the Auditor-General

Audit Report to the readers of Public Trust and Group's Financial Statements and Performance Information

For the year ended 30 June 2007

The Auditor-General is the auditor of Public Trust and group (Public Trust). The Auditor-General has appointed me, S R L O'Connor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and statement of service performance of Public Trust for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of Public Trust on pages 12 to 40:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - Public Trust's financial position as at 30 June 2007; and
 - the results of operations and cash flows for the year ended on that date.
- The report on the statement of intent on page 10 and the statement of service performance of Public Trust on pages 43 to 45:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 27 September 2007, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Members of the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board of Members (the Board) and the Auditor

The Board is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of Public Trust as at 30 June 2007 and the results of operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, Public Trust's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Public Finance Act 1989 and the Public Trust Act 2001.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit of Public Trust, we have carried out the audit assignments of the Public Trust Investment Funds and Group Investment Funds and provided assurance services in relation to Public Trust's transition to International Financial Reporting Standards, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in Public Trust.



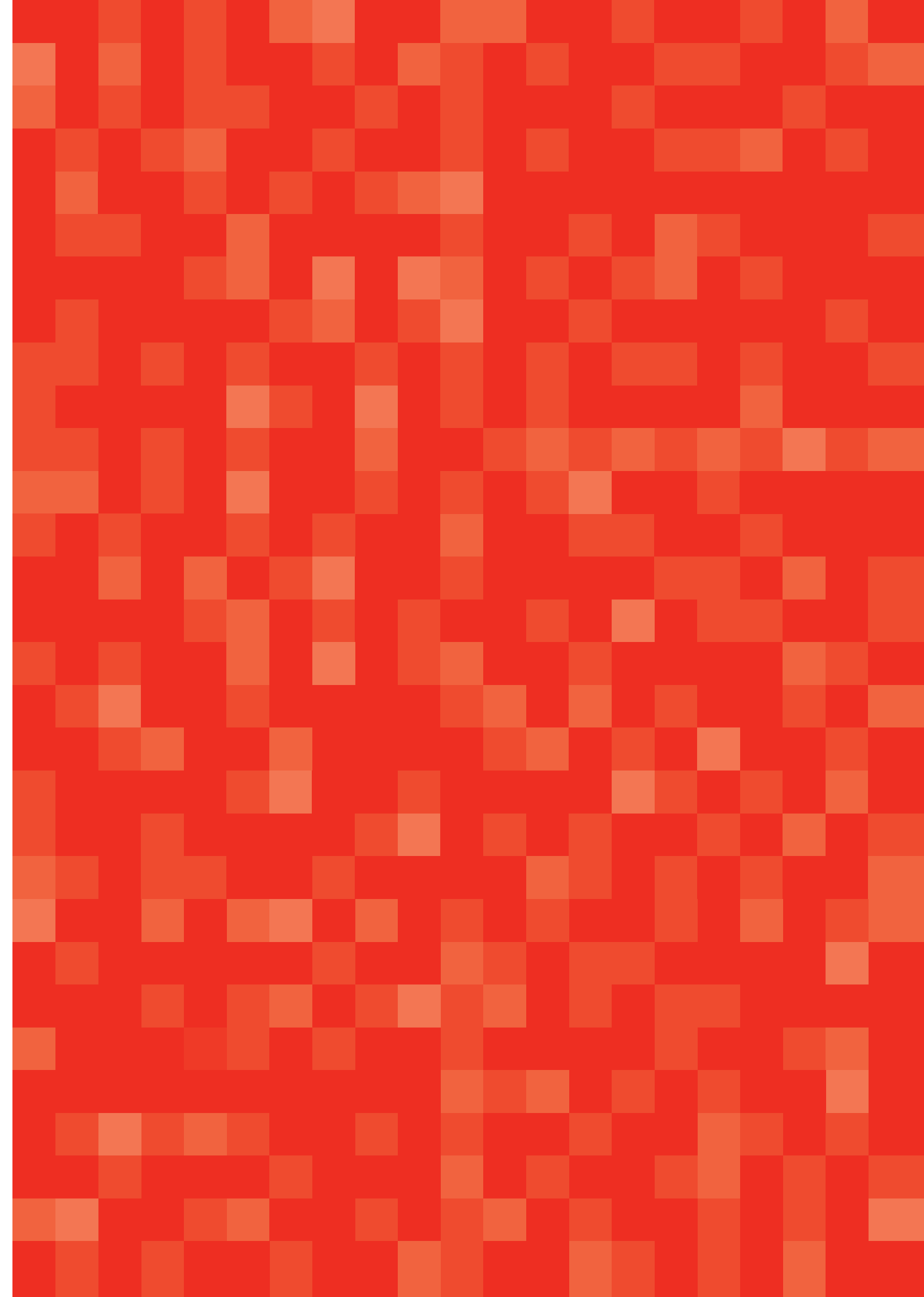
S R L O'Connor
Ernst & Young

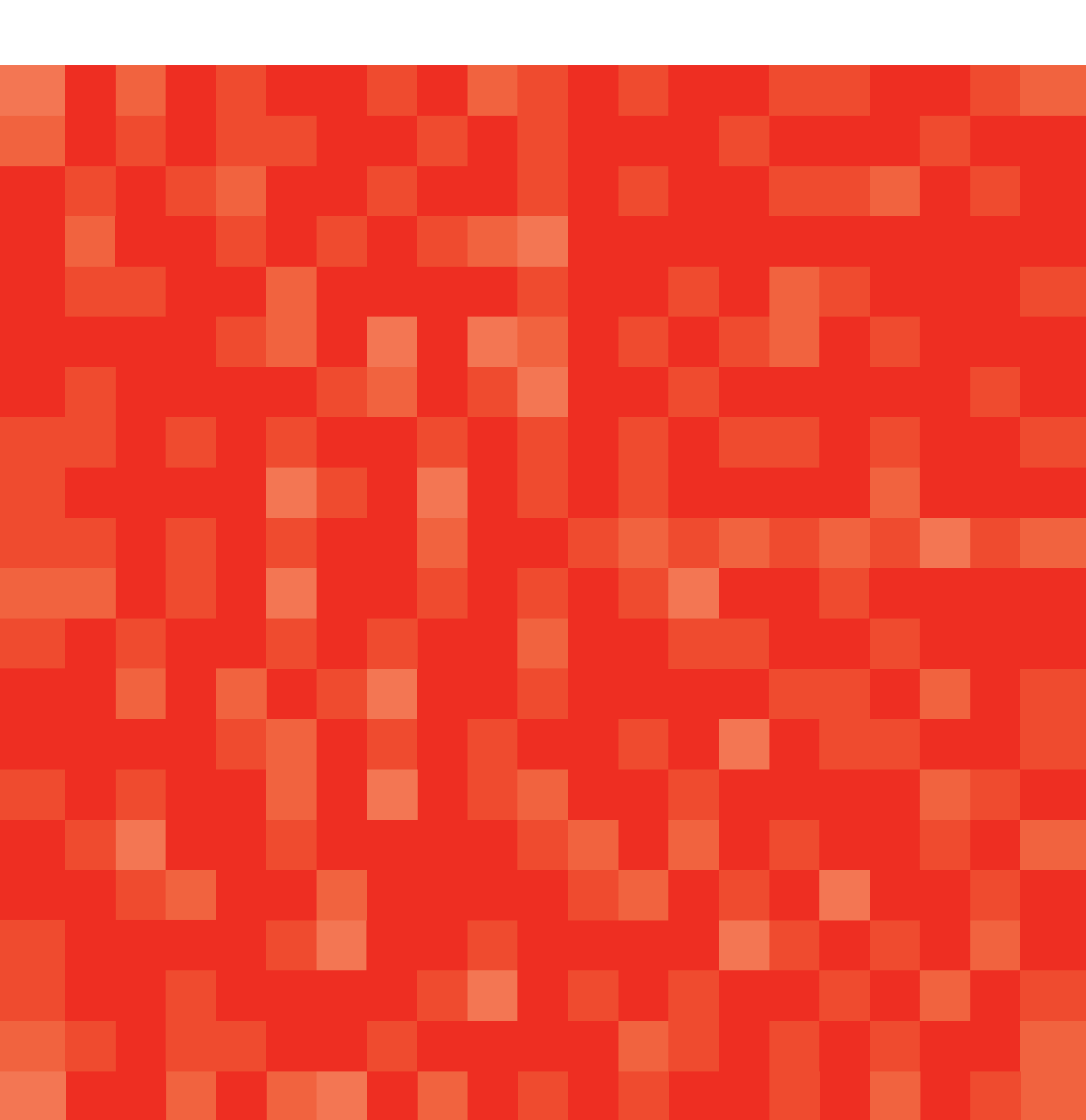
On behalf of the Auditor-General
Wellington, New Zealand

Notes



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