

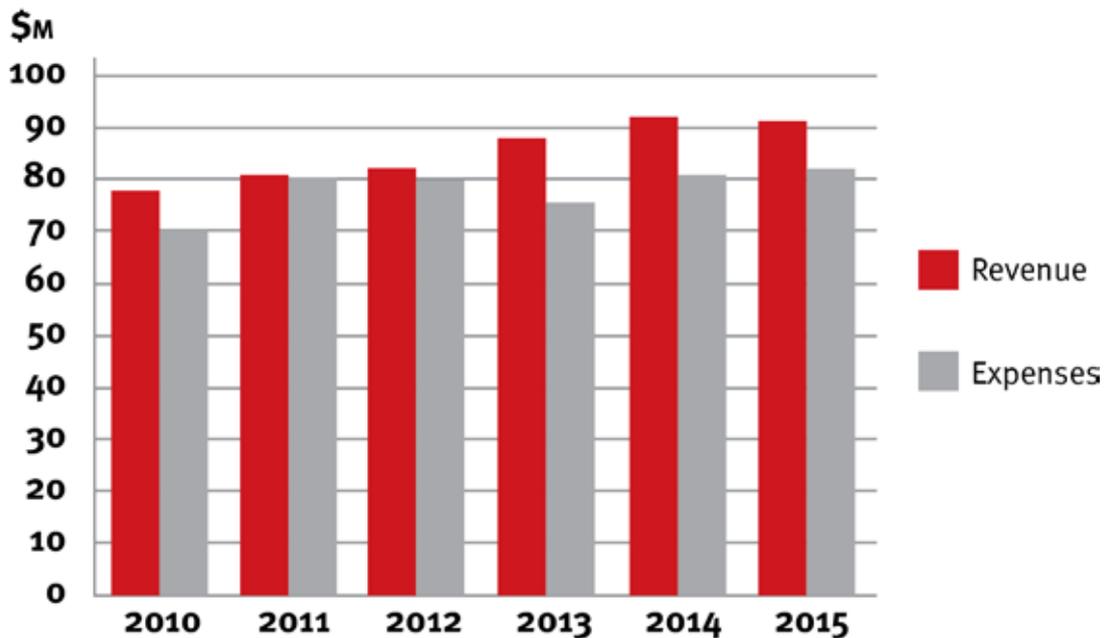
Financial performance

The Public Trustee's Financial Statements are included from page 46.

The Public Trustee has achieved a strong financial result for 2014–15 recording an operating surplus of \$9.5 M. The financial performance benefited from savings in employee expenses due to the Public Trustee being ruled exempt from payroll tax from 1 July 2014, higher than expected unclaimed moneys fees and the receipt of insurance proceeds relating to a business disruption event that occurred during the previous financial year.

A summary of our revenue and expenditure over the last six years is as follows.

Revenue & Expenses



| Revenue Sources | 2013–14 | 2014–15 |
|----------------------|-------------|-------------|
| Fees and Charges | 58% | 57% |
| Interest Revenue | 36% | 37% |
| Other Revenue | 6% | 6% |
| Total Revenue | 100% | 100% |

Gross revenue from fees and charges increased by 1% from the previous year. The majority of CSO are deducted from gross fees to arrive at net fees and charges reported in the financial statements, with the remaining CSO amount recorded in contributions expense. This year, we provided a total of \$30.4 M in CSO at no cost to the Queensland community which was a 6.8% increase from the previous year. The main driver of the increase in CSO was a 7.1% increase in fees rebated for disadvantaged clients. As the Public Trustee is self-funded, these obligations were met from our own sourced revenue.

Interest revenue was broadly in line with the previous year. Other revenue increased by 6.0% from the previous year and included proceeds from insurance claims totalling \$1.1 M primarily relating to a business disruption event that occurred during the 2013–14 financial year.

| Expenditure | 2013–14 | 2014–15 |
|-------------------------------|-------------|-------------|
| Employee Expenses | 57% | 55% |
| Supplies and Services | 22% | 21% |
| Interest Expense | 16% | 18% |
| Depreciation and Amortisation | 2% | 2% |
| Contributions | 2% | 2% |
| Other Expenses | 1% | 2% |
| Total Expenditure | 100% | 100% |

Total expenses increased by 1% from the previous year. Non-employee expenses increased by 5.7%. This increase was due to an increase in interest paid to clients which was driven by an increase in clients funds held in the Common Fund resulting from further implementation of a revised client investment strategy for clients with limited assets. This revised investment strategy has a focus on capital preservation and has resulted in more clients' funds being invested in the Common Fund.

Employee expenses decreased by 2.4% during the year due to the Public Trustee being ruled exempt from payroll tax from 1 July 2014.

Other Comprehensive Income

The Public Trustee holds interests in financial assets and various land and buildings located throughout the state, from which its offices operate. These assets are recorded at fair value and are revalued periodically in accordance with Australian Accounting Standards. The gains and losses that result from these revaluations are recorded as other comprehensive income in the statement of comprehensive income.

All land and buildings in the Common Fund were comprehensively revalued during the 2013–14 financial year. During 2014–15, land and building values were updated using indexation which resulted in a \$1.1 M increase in the asset revaluation reserve. The market value of the Public Trustee's financial assets recorded unrealised losses of \$1.1 M in a volatile market environment. These factors resulted in total other comprehensive income of \$0.1 M for 2014–15, which combined with the operating surplus, resulted in total comprehensive income of \$9.5 M for 2014–15.

Statement of Financial Position

Total Assets

Total assets comprise:

- financial instruments (mainly short to medium term investments)
- cash
- property, plant and equipment.

As at 30 June 2015, the Public Trustee held \$906 M in assets, an increase of \$78 M from 2014, mainly due to an increase in amounts held on behalf of clients in the Common Fund. The increase is attributed to the further implementation of a change in investment strategy for clients with limited assets referred to earlier.

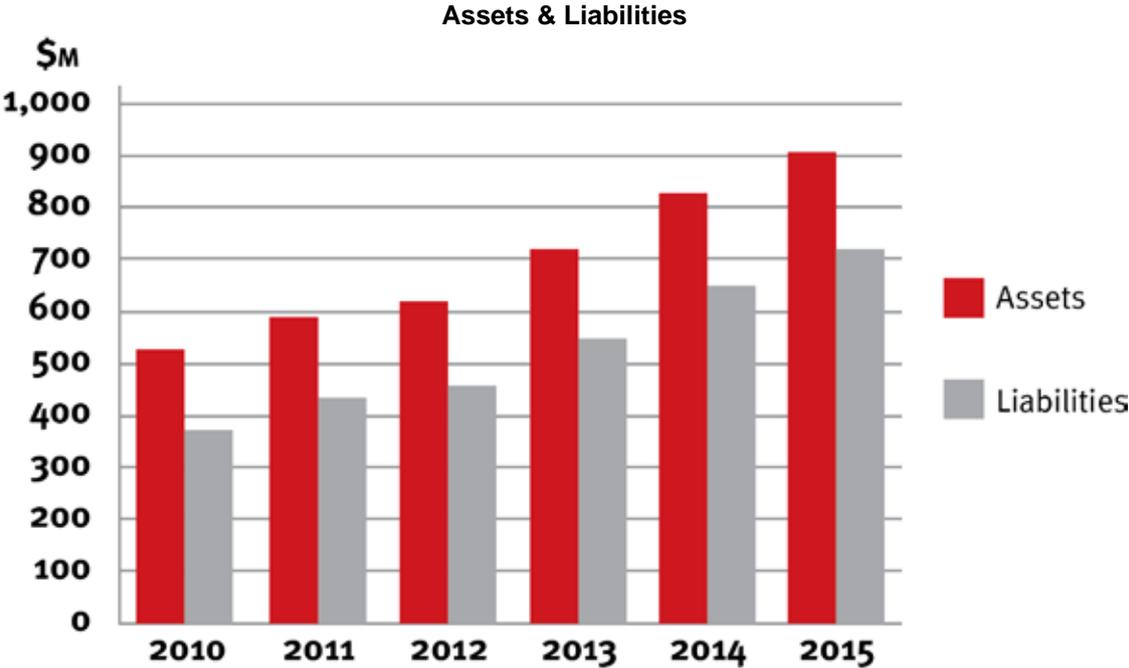
Total Liabilities

The Public Trustee’s liabilities include amounts held for clients, amounts owing to employees for leave entitlements and amounts owed to suppliers.

Total liabilities were \$717 M as at 30 June 2015, an increase of \$69 M since the previous year. The increase in liabilities is mainly due to the increase in amounts held on behalf of clients due to the further implementation of a change in investment strategy noted earlier.

Statement of Changes in Common Fund Reserves

Total Common Fund reserves are \$188 M as at 30 June 2015, which is an increase of \$10 M from the prior year. This is due to the strong operating surplus achieved driving the 2014–15 financial year.



Prospective Outlook

A small budgetary surplus is forecast for 2015–16 financial year. This accommodates increasing the front line services for better serving our clients.

Chief Finance Officer Statement

Our Chief Finance Officer (CFO) has fulfilled the responsibility as required by the *Financial Accountability Act 2009*. The CFO has provided the Public Trustee of Queensland with a statement about financial controls, in accordance with *Section 57 of the Financial and Performance Management Standard 2009*. This statement was noted by the Audit and Risk Management Committee (ARMC).

Public Trustee of Queensland Investment Funds

The Public Trustee of Queensland Investment Funds (PTIF) comprise four unit trusts:

- Public Trustee of Queensland Conservative Fund (Conservative Fund)
- Public Trustee of Queensland Growth Trust (Growth Trust)
- Public Trustee of Queensland Higher Growth Trust (Higher Growth Trust)
- Public Trustee of Queensland Australian Equities Fund (Australian Equities Fund).

The PTIF were established to provide our clients and investors with the opportunity to have their funds managed by the Public Trustee with the expert assistance of a professional investment manager. The Public Trustee is the manager and trustee of the PTIF and is responsible for determining the investment objectives and strategy of the PTIF, arranging for the proper investment of all monies and ensuring the appointed investment manager achieves acceptable rates of return. The Public Trustee has appointed QIC Limited ACN 130 539 123 (QIC) as the investment manager of the PTIF.

The funds gain exposure to various asset classes and investment sectors, appropriate to their specific objectives and risk appetite, by investing in a number of wholesale trusts operated by QIC. The objective of each fund is outlined as follows:

- **Conservative Fund** - to protect the value of an investor's capital while achieving a higher return in the medium to longer term than could be achieved by solely investing in interest bearing securities
- **Growth Trust** - to provide a fully diversified investment strategy for those seeking long-term income and capital growth
- **Higher Growth Trust** - to provide a fully diversified investment strategy for those investors seeking income and long-term capital growth
- **Australian Equities Fund** - to capture the performance of the Australian share market for those investors seeking income and long-term capital growth by investing in securities listed or about to be listed on the Australian Stock Exchange.

The investment objective of each of the individual funds and performance for the applicable period ending 30 June 2015 is as follows:

| Fund | CPI Objective (after fees) | Objective Target Return (%) | Annualised Return (%) |
|---------------------|----------------------------------|-----------------------------|-----------------------|
| Conservative Fund | CPI + 1.6% over rolling 5 years | 3.9 | 6.2 |
| Growth Trust | CPI + 1.9% over rolling 10 years | 4.6 | 4.8 |
| Higher Growth Trust | CPI + 2.4% over rolling 10 years | 5.1 | 4.9 |
| Australian Equities | CPI + 3.8% over rolling 10 years | 6.5 | 5.4 |

In previous years, the Public Trustee's annual report attached the financial statements of the PTIF which incorporated the financial performance of all four PTIFs. During June 2015, the Public Trustee determined to close the Conservative Fund, the Australian Equities Fund and the Higher Growth Trust. It is expected that these funds will be terminated by the end of 2015.

As a result, the Public Trustee annual report only includes financial statements for the Growth Trust which have been prepared on a standalone basis this financial year for the reasons outlined above. The final financial statements for the Conservative Fund, the Australian Equities Fund and the Higher Growth Trust will be published on the Public Trustee's website once they are finalised.

Further information on the Growth Trust is available in its Product Information Statement and additional information which are available on our website at www.pt.qld.gov.au/investments/funds.