

The Public Trustee of Queensland

ABN 12 676 939 467

Financial Statements Year Ended 30 June 2018

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General Information

The Public Trustee of Queensland operates as a corporation sole governed by the *Public Trustee Act 1978* and reports to Queensland Parliament through the Attorney-General. The Public Trustee of Queensland is a department for the purposes of the *Financial Accountability Act 2009* (the Act); the Public Trustee being the accountable officer of the Public Trust Office under section 65(3) of the Act and section 3 of the *Financial Accountability Regulation 2009*.

For the purpose of this report, 'the Public Trustee' refers to the corporation and 'the Public Trustee of Queensland' refers to the independent statutory individual.

The head office and principal place of business of the Public Trustee: Trustee House, 444 Queen Street, Brisbane QLD 4000.

For information in relation to the Public Trustee's financial statements, please call (07) 3213 9288, email clientenq@pt.qld.gov.au or visit the internet site at www.pt.qld.gov.au.

The Public Trustee of Queensland
Statement of Comprehensive Income
Year Ended 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|--|-------|----------------|----------------|
| Revenue | | | |
| Fees | 1 | 58,919 | 55,020 |
| Interest revenue | 2 | 28,176 | 28,927 |
| Other revenue | 3 | 3,346 | 3,864 |
| Total Revenue | | 90,441 | 87,811 |
| Expenses | | | |
| Employee expenses | 4 | 52,321 | 49,577 |
| Supplies and services | 5 | 17,625 | 18,716 |
| Depreciation and amortisation | | 2,280 | 2,110 |
| Interest expense | 12 | 11,745 | 12,025 |
| Contributions | 6 | 1,588 | 1,663 |
| Other expenses | 7 | 1,472 | 1,283 |
| Total Expenses | | 87,031 | 85,374 |
| Operating Result | | 3,410 | 2,437 |
| Other Comprehensive Income | | | |
| <u>Items that will not be reclassified to Operating Result</u> | | | |
| Increase in asset revaluation surplus | 14 | 598 | 1,228 |
| <u>Items that may be reclassified to Operating Result</u> | | | |
| Net loss on available-for-sale financial assets | | (1,213) | (3,002) |
| Total Other Comprehensive Income | | (615) | (1,774) |
| Total Comprehensive Income | | 2,795 | 663 |

The above statement should be read in conjunction with the accompanying notes.

The Public Trustee of Queensland

Statement of Financial Position As at 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 196,949 | 141,619 |
| Receivables | 9 | 15,966 | 14,369 |
| Other financial assets | 10 | 533,935 | 560,011 |
| Prepayments | | 482 | 448 |
| | | 747,332 | 716,447 |
| Property, plant and equipment held for sale | 11 | 1,985 | - |
| Total Current Assets | | 749,317 | 716,447 |
| Non-Current Assets | | | |
| Other financial assets | 10 | 165,580 | 194,008 |
| Property, plant and equipment | 11 | 40,158 | 39,251 |
| Intangible assets | | 215 | 474 |
| Total Non-Current Assets | | 205,953 | 233,733 |
| Total Assets | | 955,270 | 950,180 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | | 1,901 | 7,198 |
| Deposits held in trust | 12 | 735,627 | 728,872 |
| Accrued employee benefits | 13 | 14,483 | 13,382 |
| Total Current Liabilities | | 752,011 | 749,452 |
| Non-Current Liabilities | | | |
| Accrued employee benefits | 13 | 1,064 | 1,328 |
| Total Non-Current Liabilities | | 1,064 | 1,328 |
| Total Liabilities | | 753,075 | 750,780 |
| Net Assets | | 202,195 | 199,400 |
| EQUITY | | | |
| Asset revaluation surplus | 14 | 26,333 | 25,735 |
| Accumulated surplus | | 175,862 | 173,665 |
| Total Equity | | 202,195 | 199,400 |

The above statement should be read in conjunction with the accompanying notes.

The Public Trustee of Queensland

Statement of Changes in Equity Year Ended 30 June 2018

| | Accumulated Surplus* | Asset Revaluation Surplus** | Total Equity |
|---|-------------------------|-----------------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 2016 | 174,230 | 24,507 | 198,737 |
| Operating result for the year | 2,437 | - | 2,437 |
| Other comprehensive income | | | |
| Increase in asset revaluation surplus | - | 1,228 | 1,228 |
| Net loss on available-for-sale financial assets | (3,002) | - | (3,002) |
| Balance as at 30 June 2017 | 173,665 | 25,735 | 199,400 |
| Balance as at 1 July 2017 | 173,665 | 25,735 | 199,400 |
| Operating result for the year | 3,410 | - | 3,410 |
| Other comprehensive income | | | |
| Increase in asset revaluation surplus | | 598 | 598 |
| Net loss on available-for-sale financial assets | (1,213) | - | (1,213) |
| Balance as at 30 June 2018 | 175,862 | 26,333 | 202,195 |

* Refer to Note 16 for further information relating to Accumulated Surplus

** Refer to Note 14 for further information relating to the Asset Revaluation Surplus

The above statement should be read in conjunction with the accompanying notes.

The Public Trustee of Queensland
Statement of Cash Flows
Year Ended 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|---|----------|----------------|----------------|
| Cash Flows From Operating Activities | | | |
| <i>Inflows:</i> | | | |
| Fees received | | 57,939 | 56,237 |
| Interest revenue received | | 28,176 | 28,926 |
| Other revenue received | | 977 | 1,095 |
| GST collected from customers | | 7,479 | 7,632 |
| Net amount accepted as deposits held in trust | | 6,022 | 10,316 |
| <i>Outflows:</i> | | | |
| Payments to suppliers and employees | | (70,292) | (68,495) |
| GST paid to suppliers | | (3,636) | (3,857) |
| GST remitted to ATO | | (4,050) | (3,571) |
| Interest expense | | (11,745) | (12,025) |
| Net Cash From Operating Activities | | 10,870 | 16,258 |
| Cash Flows From Investing Activities | | | |
| <i>Inflows:</i> | | | |
| Sales of other financial assets | | 193,248 | 158,996 |
| <i>Outflows:</i> | | | |
| Payments for other financial assets | | (144,251) | (164,518) |
| Payments for property, plant and equipment | | (4,461) | (2,350) |
| Net Cash Flow From/(Used In) Investing Activities | | 44,536 | (7,872) |
| Net Increase in Cash and Cash Equivalents | | 55,406 | 8,386 |
| Cash and Cash Equivalents at Beginning of the Financial Year | | 184,937 | 176,551 |
| Cash and Cash Equivalents at End of the Financial Year | 8 | 240,343 | 184,937 |

The above statement should be read in conjunction with the accompanying notes.

The Public Trustee of Queensland
Statement of Cash Flows
Year Ended 30 June 2018

| Reconciliation of Operating Result to Net Cash From Operating Activities | 2018 \$'000 | 2017 \$'000 |
|---|------------------------|------------------------|
| Operating Result | 3,410 | 2,437 |
| Depreciation and amortisation expense | 2,280 | 2,110 |
| Net loss on sale of plant and equipment | 146 | 15 |
| Net gain on sale of other financial assets | (618) | (855) |
| Change in Assets and Liabilities: | | |
| (Increase)/decrease in receivables | (1,597) | 1,467 |
| (Increase)/decrease in prepayments | (34) | 296 |
| Decrease in other payables | (308) | (510) |
| Increase in accrued employee benefits | 836 | 1,029 |
| Increase in deposits held in trust | 6,755 | 10,269 |
| Net Cash From Operations | 10,870 | 16,258 |

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

BASIS OF FINANCIAL STATEMENTS PREPARATION

a) Objectives of the Public Trustee

The Public Trustee provides trustee, estate and administration services to the people of Queensland.

The *Public Trustee Act 1978* (the Act) grants the Public Trustee broad and general powers in relation to the financial operations of the Public Trustee and its funds, particularly the Common Fund. Under section 19 of the Act, all moneys vested in or coming into the hands of the Public Trustee are required to be held in one or more Common Funds. All dealings that are transacted through the Common Fund are controlled by the Public Trustee and are not administered on behalf of the Government.

The Public Trustee is a self-funded organisation which provides its full range of services to the community at no cost to the Government.

b) Compliance with Prescribed Requirements

The Public Trustee has prepared these financial statements in compliance with the requirements of the *Public Trustee Act 1978* and section 42 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's *Minimum Reporting Requirements* for reporting periods beginning on or after 1 July 2017 and other authoritative pronouncements.

The Public Trustee is a not-for-profit entity and these general purpose financial statements have been prepared on an accruals basis in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards adopted early and/or applied for the first time in these financial statements are outlined in Note 27.

c) Presentation Matters

(i) Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

(ii) Comparatives

Comparatives have been regrouped or reclassified where necessary (not material to financial statements).

(iii) Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the statement of financial position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the organisation does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

d) Authorisation of Financial Statements for Issue

The financial statements for the year ended 30 June 2018 were authorised for issue by the Public Trustee of Queensland and the Executive Director Investment & Finance Services & CFO at the date of signing the certification of the Public Trustee.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

e) Basis of Measurement

Historical cost is used as the measurement basis in this financial report except for the following:

- Financial Assets measured at fair value;
- Land and buildings which are measured at fair value; and
- Accrued employee benefits expected to be settled 12 or more months after reporting date which are measured at their present value.

(i) Historical Cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(ii) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:

- The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- The cost approach reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.
- The income approach converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

(iii) Present Value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

f) The Reporting Entity

The financial statements include the value of all revenue, expenses, assets, liabilities and equity controlled by the Public Trustee through the Common Fund.

g) Interest in Associates

Associates are those entities in which the Public Trustee has significant influence, but no control or joint control, over the financial and operating policies.

The Public Trustee is one of the contributors and sponsors of the QCF Management Co. Ltd which was established on 3 December 2010 to provide administration, marketing and management support for the Queensland Community Foundation for which the Public Trustee is a Trustee.

As the transactions and balances of QCF Management Co. Ltd are immaterial, it has not been included in these accounts.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

NOTES ABOUT OUR FINANCIAL PERFORMANCE

1. Fees

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Fees |
|--|----------------|----------------|--|
| Administration of estates and trusts and other professional fees | 85,717 | 80,511 | Fees are recognised as revenue when the revenue has been earned and can be reliably measured with a sufficient degree of certainty. This occurs upon the completion of the services at which time service charges are levied. The rates of charges levied are governed by the <i>Public Trustee Act 1978</i> . |
| Trust fees | 4,873 | 4,674 | |
| Auctions revenue | 2,363 | 2,087 | |
| Community service obligations | (34,034) | (32,252) | |
| | 58,919 | 55,020 | |

Where, due to financial circumstances, a client is unable to pay the full amount of the fee, a rebate for all or part of the fee may be given in accordance with Community Service Obligations (CSOs) arrangements. These CSOs are shown as an offset against revenue.

The Public Trustee also receives trustee fees for acting as trustee of the Public Trustee of Queensland Investment Fund. The fee is set as a percentage of funds under management and is outlined in the product information statement for the trust. Trustee fees are recognised when the revenue has been earned based on the number of days the trustee service is provided.

2. Interest Revenue

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Interest Revenue |
|--------------------------------|----------------|----------------|---|
| Cash – at call deposits | 4,722 | 3,924 | Interest income is recognised using the effective interest method. |
| QIC unit trust | 876 | 1,022 | |
| Semi-government securities (i) | 4,636 | 4,637 | Interest income is recognised for financial assets when it is probable that economic benefits will flow to the Public Trustee and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset to that asset's net carrying amount on initial recognition. |
| Corporate securities (i) | 3,007 | 1,936 | |
| Corporate notes (ii) | 4,076 | 4,552 | |
| Fixed rate deposits | 9,175 | 10,498 | |
| Compounding deposits | 118 | 159 | |
| Floating rate deposits | 1,507 | 2,156 | |
| Other interest | 59 | 43 | |
| | 28,176 | 28,927 | |

(i) Fixed interest rate applies to these securities.

(ii) Floating interest rate applies to corporate notes.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

3. Other Revenue

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Services received below fair value |
|---|----------------|----------------|---|
| Property revenue | 799 | 836 | Contribution of services are recognised only if the services would have been purchased if they had not been donated and their value can be measured reliably. In such case, an equal amount is recognised as revenue and expense. |
| Sundry revenue | 203 | 246 | |
| Archival services received below fair value | 1,726 | 1,927 | |
| Gain on sale of semi-government securities | 542 | 784 | |
| Gains on revaluation of QIC unit trust | 76 | 71 | |
| | 3,346 | 3,864 | Accounting Policy - Gain/Loss On Sale and Revaluation of Financial Assets |

Gains or losses arising from change in the fair value of financial assets are included in the operating result for the period in which they arise.

4. Employee Expenses

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Salaries and Wages and Sick Leave |
|---------------------------------------|----------------|----------------|--|
| Employee Benefits | | | Wages and salaries due but unpaid at reporting date are recognised in the statement of financial position at the current salary rates. As the Public Trustee expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. As sick leave is non-vesting, an expense is recognised for this leave as it is taken. |
| Salaries and wages | 40,497 | 38,461 | |
| Annual leave | 4,280 | 4,069 | |
| Employer superannuation contributions | 5,425 | 5,125 | |
| Long service leave | 1,244 | 1,046 | |
| Employee Related Expenses | | | Accounting Policy - Annual Leave and Long Service Leave |
| Workers' compensation insurance | 108 | 109 | |
| Other employee related expenses | 767 | 767 | |
| | 52,321 | 49,577 | |
| Full-time Equivalent Employees (i) | 584 | 573 | |

Employee leave entitlements including on-costs are charged in the operating result and recognised as a liability each month. Refer Note 13 for further details.

(i) The number of full-time equivalent employees (FTEs) is based on the Minimum Obligatory Human Resource Information (MOHRI) definition as provided by the Queensland Public Service Commission.

Key management personnel and remuneration disclosures are detailed in Note 24.

Accounting Policy - Workers' Compensation Insurance

The Public Trustee pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not included in an employee's total remuneration package. It is not an employee benefit and is recognised separately as an employee related expense.

Accounting Policy – Employer Superannuation Contributions

Employer superannuation contributions are predominantly paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Public Trustee's obligation is limited to its contribution to QSuper which has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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Notes to the Financial Statements

Year Ended 30 June 2018

5. Supplies and Services

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Supplies and Services |
|---|----------------|----------------|---|
| Advertising and promotion | 293 | 313 | The Public Trustee adopts the accrual basis of accounting and recognises expenses when incurred, usually when goods are received or when services are rendered. |
| Archival services received below fair value | 1,726 | 1,927 | |
| Auction expenses | 37 | 22 | |
| Computer expenses | 4,695 | 4,245 | |
| Consultants, contractors and agency temporary staff | 3,130 | 4,043 | |
| Fixed assets repairs and expenses | 927 | 1,431 | Accounting Policy - Services received below fair value |
| Investment and registry fees | 2,623 | 2,410 | |
| Motor vehicles and travel | 307 | 318 | Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. In such case, an equal amount is recognised as revenue and expense. |
| Office expenses | 1,378 | 1,530 | |
| Operating lease expenses | 856 | 552 | |
| Professional and management fees | 109 | 326 | |
| Rates, utilities and cleaning | 1,544 | 1,599 | |
| | 17,625 | 18,716 | |

Accounting Policy - Operating Lease Expenses

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

6. Contributions

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy - Contributions |
|---|----------------|----------------|--|
| Contribution to the Office of the Public Guardian (i) | 1,152 | 1,132 | Contributions are non-reciprocal in nature so these do not require any goods or services to be provided in return. |
| Civil Law Legal Aid Scheme outlays (i) | 436 | 381 | |
| Contribution to the Department of Justice and Attorney-General (ii) | - | 150 | |
| | 1,588 | 1,663 | |

Disclosure – Contributions

(i) The Public Trustee provides Community Service Obligations to the Queensland community in the form of contributions to the Office of the Public Guardian and the Civil Law Legal Aid in accordance with section 63A of the *Public Trustee Act 1978* and section 13 of the *Public Trustee Regulation 2012* respectively.

(ii) Provision of one-off funding through the Department of Justice and Attorney-General (DJAG) to allocate to the Court Network Inc. to deliver court support services in the Queensland Civil and Administrative Tribunal.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

7. Other Expenses

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Gain or Loss on Sale of Property, Plant and Equipment |
|--|----------------|----------------|---|
| Bad debt recoveries and write-offs ⁱ | 204 | 192 | Any gain or loss on the disposal of property, plant and equipment is recognised in profit or loss. |
| Sponsorships | 74 | 81 | |
| Insurance premiums ⁱⁱ | 543 | 537 | |
| External audit fees ⁱⁱⁱ | 308 | 290 | |
| Special payments ^{iv} | 142 | 110 | |
| Bank fees | 52 | 50 | Accounting Policy – Special Payments |
| Loss on sale of property, plant and equipment | 146 | 16 | Special payments include ex gratia expenditure and other expenditure that the Public Trustee is not contractually obligated or where there is no clear legal obligation to make a payment under the contract terms. The Public Trustee maintains a register of all special payments greater than \$5,000 in accordance with the <i>Financial and Performance Management Standard 2009</i> . |
| Entertainment and hosting | 3 | 7 | |
| | 1,472 | 1,283 | |

Disclosure

- (i) Includes the Public Trustee's write offs relating to client matters \$177,934 (2017: \$306,350) and bad debts \$26,094 (2017: \$114,023 bad debts recovered).
- (ii) Insurance Premiums - The Public Trustee's non-current physical assets and other risks are primarily insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis.
- (iii) Total audit fees payable to the Queensland Audit Office relating to the 2017-18 financial statements are \$307,500 (2017: \$290,000) comprising the Public Trustee's financial statements of \$287,000 (2017: \$270,000) and the Public Trustee of Queensland Growth Trust \$20,500 (2017: \$20,000). There are no non-audit services included in this amount.
- (iv) 6 settlements (2017: 3) were paid relating to client matters in 2017-18 totalling \$142,078 (2017: \$110,410).

The Public Trustee of Queensland
Notes to the Financial Statements
Year Ended 30 June 2018

NOTES ABOUT OUR FINANCIAL POSITION

8. Cash and Cash Equivalents

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Cash and Cash Equivalents |
|-----------------------------|------------------------|------------------------|--|
| Cash at bank and on hand | 2,988 | 5,533 | For the purpose of the statement of financial position and statement of cash flows, cash and cash equivalents include: |
| Cash – QTC at call deposits | 193,961 | 136,086 | |
| | 196,949 | 141,619 | |

Reconciliation to Cash Flow Statement

| | | |
|-------------------------------------|----------------|----------------|
| Cash and cash equivalents | 196,949 | 141,619 |
| QIC Unit Trusts (i) | 43,394 | 43,318 |
| Balance per Statement of Cash Flows | 240,343 | 184,937 |

(i) QIC Unit Trusts have been reclassified from Cash and Cash Equivalent to Other Financial Assets during this financial year. Refer Note 10 for details.

- cash on hand;
- deposits held at call with financial institutions;
- other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

9. Receivables

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Receivables |
|-------------------------------------|------------------------|------------------------|--|
| General receivables | 104 | 583 | Receivables are measured at amortised cost which approximates their fair value at reporting date. |
| Accrued revenue | 7,826 | 6,281 | |
| Client receivables | 6,800 | 6,066 | |
| Civil Law Legal Aid Scheme Advances | 1,481 | 1,586 | Receivables are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is usually required within 30 days from invoice date. |
| | 16,211 | 14,516 | |
| Less: Allowance for impairment | (245) | (147) | |
| | 15,966 | 14,369 | |

Impairment

| | | |
|---|--------------|--------------|
| Allowance for impairment as at 1 July | (147) | (788) |
| Amounts written off during the financial year | - | 593 |
| (Increase) / Decrease in allowance for impairment | (98) | 48 |
| Allowance for impairment as at 30 June | (245) | (147) |

Disclosure – Credit Risk Exposure

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets after provision for impairment.

No collateral is held as security and no credit enhancements relate to receivables held by the Public Trustee.

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history.

All known bad debts have been written-off as at 30 June 2018.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

9. Receivables (Continued)

Accounting Policy – Impairment

The Public Trustee assesses at the end of each reporting period whether there is objective evidence that a receivable or a group of receivables is impaired. An allowance for impairment is made in respect of a debt or group of debtors if a loss event has arisen in respect of that particular debtor or group of debtors.

Disclosures

As at 30 June 2018, total receivables within terms and not impaired were \$15.7m (2017: \$14.3m). Details of the impaired receivables are as follows:

| Aging Analysis of Receivables | | | | | |
|---------------------------------------|-----------|--------------|--------------|-----------|------------|
| 30 June 2018 | < 30 Days | 30 – 60 Days | 61 – 90 Days | > 90 Days | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables past due but not impaired | - | 40 | 8 | 13 | 61 |
| Receivables past due and impaired | - | - | - | 151 | 151 |
| Allowance for impairment | - | - | - | (97) | (97) |
| Carrying amount | - | 40 | 8 | 67 | 115 |
| Aging Analysis of Receivables | | | | | |
| 30 June 2017 | < 30 Days | 30 – 60 Days | 61 – 90 Days | > 90 Days | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables past due but not impaired | - | 12 | 5 | 12 | 29 |
| Receivables past due and impaired | - | - | - | 117 | 117 |
| Allowance for impairment | - | - | - | (78) | (78) |
| Carrying amount | - | 12 | 5 | 51 | 68 |

10. Other Financial Assets

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Other Financial Assets |
|--|----------------|----------------|--|
| Current | | | |
| <i>Financial Assets at fair value through profit or loss</i> | | | Classification |
| QIC Unit Trusts | 43,394 | 43,318 | Classification of a financial asset is based on the purpose for which the asset was acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date. |
| | 43,394 | 43,318 | |
| <i>Available-for-sale</i> | | | |
| Semi-government securities | 115,496 | 128,855 | |
| Corporate bonds | 131,333 | 76,077 | The Public Trustee classifies its other financial assets in the following categories: |
| Corporate notes | 151,618 | 151,847 | |
| | 398,447 | 356,779 | |
| <i>Held to maturity</i> | | | |
| Fixed rate deposits | 77,011 | 115,979 | <ul style="list-style-type: none"> financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale. |
| Floating rate deposits | 15,083 | 38,580 | |
| Compounding deposits | - | 5,355 | |
| | 92,094 | 159,914 | |
| | 533,935 | 560,011 | |
| Non-Current | | | |
| <i>Held to maturity</i> | | | |
| Fixed rate deposits | 137,481 | 168,872 | |
| Floating rate deposits | 28,099 | 25,136 | |
| | 165,580 | 194,008 | |

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

10. Other Financial Assets (Continued)

Accounting Policy – Other Financial Assets (Continued)

Classification (Continued)

- (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling within 12 months.

- (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Public Trustee has the intention and ability to hold to maturity. If the Public Trustee were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would need to be reclassified as available-for-sale. Deposits are categorised as held-to-maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

- (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. All available-for-sale financial assets are classified as current assets. Available-for-sale financial assets include bonds and floating rate notes.

Recognition

The Public Trustee recognises financial assets on the date they become party to the contractual agreement. At initial recognition, the Public Trustee measures a financial asset at its fair value.

Measurement

Subsequent to initial recognition, financial assets are measured as follows:

- (i) Financial assets at fair value through profit or loss

These instruments are measured at fair value with changes in their fair value recognised in the profit or loss. Interest income is recognised in profit or loss using the effective interest method.

- (ii) Held-to-maturity investments

Held-to-maturity investments are carried at amortised cost using the effective interest method, less impairment losses. Interest income is recognised in profit or loss using the effective interest method.

- (iii) Available-for-sale financial assets

Available-for-sale financial assets are carried at fair value with changes in their fair value recognised in equity. Realised gains/losses recognised in equity are transferred to the profit or loss on de-recognition of the asset. Interest income is recognised in the profit or loss using the effective interest method.

Impairment

The Public Trustee assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An allowance for impairment is made in respect of a financial asset or a group of financial assets if a loss event has arisen in respect of that particular financial asset or group of financial assets.

De-recognition

Financial assets are derecognised when the right to receive cash flows from the investments have expired or the Public Trustee has transferred substantially all risks and rewards of ownership.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

11. Property, Plant and Equipment

Held For Sale

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Property, Plant and Equipment Held For Sale |
|----------|----------------|----------------|---|
| Land | 1,453 | - | Property, Plant and Equipment assets held for sale consist of those assets that management has determined are available for immediate sale in their present condition, for which their sale is highly probable within the next twelve months. |
| Building | 532 | - | |
| | 1,985 | - | |

Disclosure

Due to operational requirements, the Public Trustee Investment Board has recommended the sale of certain land and buildings at Ipswich, Maryborough and Townsville. Management are committed to and have initiated a plan to sell the properties, and the sale is expected to be completed within twelve months.

For all of the assets described above, the valuations reflect fair value less costs to sell, as that was lower than carrying amount at the time of meeting the "held for sale" criteria.

Under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, when an asset is classified as held for sale, its value is measured at the lower of the asset's carrying amount and fair value less costs to sell. Any restatement of the asset's value to fair value less costs to sell is a non-recurring valuation. Such assets are no longer amortised or depreciated upon being classified as held for sale.

Non-current

Balances and reconciliations of carrying amount

| 30 June 2018 | Land (at FV)* Level 2 | Buildings (at FV)* Level 2 | Building (at cost) Level 3 | Plant and Equipment | Work In Progress | Total |
|--|-----------------------------|----------------------------------|----------------------------------|------------------------|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross | 20,104 | 15,485 | 3,040 | 8,401 | 730 | 47,760 |
| Less Accumulated Depreciation | (1,453) | (1,724) | (556) | (3,869) | - | (7,602) |
| Carrying amount at 30 June 2018 | 18,651 | 13,761 | 2,484 | 4,532 | 730 | 40,158 |
| Carrying amount at 1 July 2017 | 20,103 | 11,071 | 2,576 | 4,914 | 587 | 39,251 |
| Acquisitions | - | - | - | 112 | 4,349 | 4,461 |
| Disposals | - | (116) | - | (30) | - | (146) |
| Depreciation | - | (1,089) | (92) | (840) | - | (2,021) |
| Transfers between asset classes | - | 3,775 | - | 431 | (4,206) | - |
| Transfer to Asset Held-For-Sale | (1,452) | (478) | - | (55) | - | (1,985) |
| Net revaluation increment | - | 598 | - | - | - | 598 |
| Carrying amount at 30 June 2018 | 18,651 | 13,761 | 2,484 | 4,532 | 730 | 40,158 |

* FV = Fair Value

The Public Trustee of Queensland
Notes to the Financial Statements
Year Ended 30 June 2018

11. Property, Plant and Equipment (Continued)

Non-current (Continued)

Balances and reconciliations of carrying amount

| 30 June 2017 | Land (at FV)* Level 2 (i) | Buildings (at FV)* Level 2 (i) | Building (at cost) Level 3 (ii) | Plant and Equipment | Work in progress | Total |
|--|--|---|--|--------------------------------|-----------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross | 20,103 | 12,086 | 3,040 | 8,024 | 587 | 43,840 |
| Less Accumulated Depreciation | - | (1,015) | (464) | (3,110) | - | (4,589) |
| Carrying amount at 30 June 2017 | 20,103 | 11,071 | 2,576 | 4,914 | 587 | 39,251 |
| Carrying amount at 1 July 2016 | 18,875 | 11,842 | 2,667 | 3,852 | 303 | 37,539 |
| Acquisitions | - | - | - | 524 | 1,826 | 2,350 |
| Disposals | - | - | - | (15) | - | (15) |
| Depreciation | - | (1,016) | (91) | (744) | - | (1,851) |
| Transfers between asset classes | - | 245 | - | 1,297 | (1,542) | - |
| Net revaluation increment | 1,228 | - | - | - | - | 1,228 |
| Carrying amount at 30 June 2017 | 20,103 | 11,071 | 2,576 | 4,914 | 587 | 39,251 |

* FV = Fair Value

- (i) The Public Trustee's land and buildings were last comprehensively revalued based on specific appraisals by Herron Todd White Pty Ltd and CBRE Valuations Pty Ltd at 30 June 2016.

During 2017-18, commercial buildings held at fair values were revalued upwards by \$0.6m based on movements in the relevant index ('Asset revaluation index: Non-residential construction, Queensland') obtained from the Queensland Government Statistician's Office. The Public Trustee has reviewed these indices and believes they reflect a valid estimation of the assets' fair value at reporting date, taking into account the most recent valuations.

No indexation was applied in respect of land as movement in indices provided by the State Valuation Service was below the materiality threshold of 5% in accordance with Queensland Treasury's Non-Current Asset Policies.

The Public Trustee has reviewed these indices and believes they reflect a valid estimation of the assets' fair value at reporting date, taking into account the most recent valuation.

- (ii) This building relates to a purpose-built storage facility operated by the Public Trustee. This building is classified at level 3 due to the absence of an active market for such facilities.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

11. Property, Plant and Equipment (Continued)

Accounting Policy - Recognition

Items of property, plant and equipment with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as Property, Plant and Equipment in the following classes:

| Class | Land | Buildings | Plant and equipment |
|-----------------------|-----------|--------------|---------------------|
| Recognition threshold | \$1 | \$10,000 | \$5,000 |
| Useful life | Unlimited | 5 – 85 years | 2 – 39 years |

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the corporation. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Accounting Policy – Cost of Acquisition

Items of property, plant and equipment with a cost greater than the recognition threshold are capitalised. Items below the recognition threshold are expensed in the year of acquisition.

Property, plant and equipment are initially recorded at cost on acquisition. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees.

Accounting Policy - Depreciation

Land is not depreciated as it has an unlimited useful life. Buildings, plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the Public Trustee.

Straight-line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the corporation.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

Assets under construction (work-in-progress) are capitalised progressively. These assets are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

11. Property, Plant and Equipment (Continued)

Accounting Policy - Revaluations

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being their fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

Use of Specific Appraisals

Land and buildings are comprehensively revalued at least once every three years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

The fair values reported by the Public Trustee are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Use of Indices

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The Public Trustee ensures that the application of such indices would result in a valid estimation of the asset's fair value at reporting date.

Indices used for commercial buildings (Asset revaluation index: Non-residential construction, Queensland) are obtained from the Queensland Government Statistician's Office. The State Valuation Service (SVS) supplies the indices used for land. Such indices are either publicly available, or are derived from market information available to the Queensland Government and SVS. The Queensland Government Statistician's Office and SVS provide assurance of their robustness, validity and appropriateness for application to the relevant assets.

Indices used are reviewed for reasonableness to confirm the relevance and suitability of indices provided based on the Public Trustee's own particular circumstances.

Accounting for Changes in Fair Value

Any revaluation increment arising on the revaluation of an asset class is credited to the asset revaluation surplus of the appropriate class, except to the extent that it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

For assets revalued using a cost valuation approach (e.g. current replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'.

For assets revalued using a market or income-based valuation approach - accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

11. Property, Plant and Equipment (Continued)

Accounting Policy - Impairment Assessment

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Public Trustee determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss and recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and current replacement cost.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

12. Deposits Held In Trust

| | 2018 \$'000 | 2017 \$'000 | Accounting Policy – Deposits Held In Trust |
|---|------------------------|------------------------|---|
| Deceased estates | 172,932 | 174,590 | These amounts represent the value of cash and other financial assets held for clients within the Common Fund. |
| Financial management | 318,697 | 309,861 | |
| Minors, general and testamentary trusts | 213,532 | 213,211 | Amounts held for clients are categorised for financial instrument purposes as financial liabilities measured at amortised cost. At initial recognition, the Public Trustee recognises a financial liability not through profit or loss at fair value plus any transaction costs directly attributable to the issue of the liability. Subsequent measurement is at amortised cost using the effective interest method. |
| Other | 30,466 | 31,210 | |
| | 735,627 | 728,872 | |

Accounting Policy – Interest Expense

The Public Trustee pays interest on deposits held in trust on behalf of clients within the Common Fund. Interest is calculated based on the daily closing balance of moneys held and is either paid monthly or annually on 30 June each year depending on the account. The rates of interest payable on moneys held in trust are determined from time to time under Section 9 of the *Public Trustee Regulation 2012*.

Deposits held in trust are classified as current liabilities as they are available at call.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

13. Accrued Employee Benefits

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Current | | |
| Wages outstanding | 932 | 880 |
| Annual leave | 5,055 | 4,694 |
| Paid parental leave | 15 | 25 |
| Long service leave | 8,481 | 7,783 |
| | 14,483 | 13,382 |
| Non-Current | | |
| Long service leave | 1,064 | 1,328 |
| | 1,064 | 1,328 |
| Total Accrued Employee Benefits | 15,547 | 14,710 |

Accounting Policy - Annual Leave

Liabilities for annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised and measured at the amounts expected to be paid when the liabilities are settled.

Accounting Policy – Long Service Leave

Unconditional long service leave entitlement accorded to employees with more than 7 years of continuous service that is expected to be paid within the next 12 months is recognised at its undiscounted value and disclosed as current.

Other conditional long service leave entitlement is classified as non-current and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. When assessing expected future payments, consideration is given to potential future wage and salary increases and experience of employee departures and periods of service. An assumption of 2.5% (2017: 2.5%) per annum has been utilised for this purpose. Expected future payments are discounted using rates attaching to, as at the reporting date, Commonwealth Government guaranteed securities with terms and currencies that match as closely as possible, the estimated future cash flows.

14. Asset Revaluation Surplus

Accounting Policy

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

Asset Revaluation Surplus by Asset Class

| 2018 | Land \$'000 | Buildings \$'000 | Total \$'000 |
|--------------------------------|----------------|---------------------|-----------------|
| Balance at 1 July 2017 | 14,593 | 11,142 | 25,735 |
| Revaluation increments | - | 598 | 598 |
| Balance at 30 June 2018 | 14,593 | 11,740 | 26,333 |

| 2017 | Land \$'000 | Buildings \$'000 | Total \$'000 |
|--------------------------------|----------------|---------------------|-----------------|
| Balance at 1 July 2016 | 13,365 | 11,142 | 24,507 |
| Revaluation increments | 1,228 | - | 1,228 |
| Balance at 30 June 2017 | 14,593 | 11,142 | 25,735 |

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

15. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/ liabilities being valued. Observable inputs used by the Public Trustee include, but are not limited to, published sales data for land and buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Public Trustee include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Public Trustee's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Note 11 outlines the methods of determination of fair values for the Public Trustee's land and buildings.

All assets and liabilities of the Public Trustee for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

The table below sets out the Public Trustee's financial assets (by class) measured at fair value according to the fair value hierarchy at 30 June 2018 and 30 June 2017. The table does not contain information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

| | Level 1 | | Level 2 | | Total | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Cash – at call deposits | 193,961 | 136,086 | - | - | 193,961 | 136,086 |
| QIC unit trust | - | - | 43,394 | 43,318 | 43,394 | 43,318 |
| Semi-government securities | 115,496 | 128,855 | - | - | 115,496 | 128,855 |
| Corporate bonds | 131,333 | 76,077 | - | - | 131,333 | 76,077 |
| Corporate notes | 151,618 | 151,847 | - | - | 151,618 | 151,847 |
| Fixed rate deposits | - | - | 214,492 | 284,851 | 214,492 | 284,851 |
| Compound deposits | - | - | - | 5,355 | - | 5,355 |
| Floating rate deposits | - | - | 43,182 | 63,716 | 43,182 | 63,716 |
| | 592,408 | 492,865 | 301,068 | 397,240 | 893,476 | 890,105 |

There have been no transfers between levels 1 and 2 for financial assets during the reporting period.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

16. Accumulated Surplus

Whilst the Public Trustee does not formally account for additional reserves, internal allocations are provided for capital support and income stabilisation. These allocations are held within Accumulated Surplus and the funds invested in line with the Public Trustee's approved investment strategy, and are recorded across cash, financial assets and property. The basis for these allocations is as follows:

i. Capital support allocation

As the capital within the Public Trustee's Common Fund carries a Government Guarantee, a *capital support allocation* has been established to support the capital guarantee on the liabilities of the Public Trustee. The allocation is calculated based on a 2% movement in interest rates across the yield curve for all maturities, assuming a maximum modified duration of 2.23% (2017: 2.16%). Current allocation \$32.8m (2017: \$31.3m).

ii. Income stabilisation allocation

In order to minimise the mismatch between yield on the investment portfolio of the Common Fund and the return paid to clients during periods of interest rate volatility, an *income stabilisation allocation* has been established. The allocation is based on an increase of 2% movement in interest rates based on current liabilities over a two year period. Current allocation \$29.4m (2017: \$43.4m).

The balance of the Accumulated Surplus relates to general reserves and are maintained to support the sustainability of the Public Trustee's ongoing operations.

17. Commitments

(a) *Non-cancellable operating lease commitments*

Commitments under operating leases at reporting date are payable as follows:

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Not later than one year | 791 | 683 |
| Later than one year and not later than five years | 2,553 | 1,582 |
| Later than five years | 586 | 1,696 |
| | 3,930 | 3,961 |

Operating leases are office accommodation for the Public Trustee. Lease payments are generally fixed with inflation escalation clauses.

The Public Trustee of Queensland
Notes to the Financial Statements
Year Ended 30 June 2018

17. Commitments (Continued)

(b) Capital expenditure commitments

Commitments for capital expenditure at reporting date are payable as follows:

| | 2018 \$'000 | 2017 \$'000 |
|---|------------------------|------------------------|
| Not later than one year | 553 | 627 |
| Later than one year and not later than five years | - | - |
| Later than 5 years | - | - |
| | 553 | 627 |

(c) Contribution commitments

Contribution commitments payable to the Office of the Public Guardian at reporting date are as follows:

| | 2018 \$'000 | 2017 \$'000 |
|-------------------------|------------------------|------------------------|
| Not later than one year | 1,144 | 1,160 |
| | 1,144 | 1,160 |

The above contribution commitment is ongoing with no end date. As such, the Public Trustee is unable to disclose the total amount payable beyond one year.

18. Contingent Liabilities

Litigation in progress

As at 30 June 2018, the Public Trustee was a party to the following litigation cases in progress.

| | 2018 Number of cases | 2017 Number of cases |
|------------------------------|-------------------------------------|-------------------------------------|
| Supreme Court of Queensland | 1 | 1 |
| District Court of Queensland | 2 | 2 |
| Federal Court of Australia | - | 1 |
| Total | 3 | 4 |

As at balance date, the Public Trustee has received notification of 21 other matters (2017: 26) that are not yet subject to court action. These cases may result in subsequent litigation. The Public Trustee is insured in relation to claims of negligence and is required to contribute a maximum of \$100,000 per claim paid.

Given the uncertain nature of these matters, the Public Trustee's legal advisers and management believe it is not appropriate to estimate and provide for the final settlement amount (if any) in relation to these claims.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

19. Financial Risks Disclosures

(a) Financial Instrument Categories

Financial assets and financial liabilities are recognised in the statement of financial position when the Public Trustee becomes party to the contractual provisions of the financial instrument. The Public Trustee has the following categories of financial assets and financial liabilities:

| | Note | 2018 \$'000 | 2017 \$'000 |
|------------------------------------|------|----------------|----------------|
| Financial Assets | | | |
| Cash and cash equivalents | 8 | 196,949 | 141,619 |
| Receivables | 9 | 15,966 | 14,369 |
| Other financial assets | 10 | 699,515 | 754,019 |
| Total Financial Assets | | 912,430 | 910,007 |
| Financial Liabilities | | | |
| Deposits held in trust | 12 | 735,627 | 728,872 |
| Payables | | 1,901 | 7,198 |
| Total Financial Liabilities | | 737,528 | 736,070 |

No financial assets and liabilities have been offset and presented net in the statement of financial position.

b) Financial Risks Management

(i) Risk Exposure

The Public Trustee's activities expose it to a variety of financial risks as set out in the following table:

| Risk Exposure | Definition | Exposure |
|----------------|--|---|
| Credit Risk | Credit risk exposure refers to the situation where the Public Trustee may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. | The Public Trustee is exposed to credit risk in respect of its receivables and other financial assets. |
| Liquidity Risk | Liquidity risk refers to the situation where the Public Trustee may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. | The Public Trustee is exposed to liquidity risk in respect of its payables, other financial assets and deposits held in trust. |
| Market Risk | <p>The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.</p> <p>Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.</p> | <p>The Public Trustee does not trade in foreign currency and is not materially exposed to commodity price changes or other market prices.</p> <p>The organisation is exposed to interest rate risk through its cash deposited in interest bearing accounts, holding of financial assets and interest payable on deposits held in trust.</p> |

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

19. Financial Risks Disclosures (Continued)

(b) Financial Risks Management (Continued)

ii. Risk Management Strategies

All financial risk is managed by the Investment Services Program under policies approved by the Public Trust Office Investment Board (Investment Board). The Investment Board approves written policies in respect of credit risk, liquidity risk and market risk. The Public Trustee's risk management program focuses on ensuring compliance with the overall risk management framework set by the Investment Board and seeks to maximise the returns derived for prudent levels of risk.

The performance of investments is monitored by the Investment Board on a monthly basis. The Investment Board monitors financial risks using a variety of methods as follows:

| Risk Exposure | Measurement Method | Risk Management Strategies |
|----------------|---|--|
| Credit Risk | <ul style="list-style-type: none">• Credit rating• Ageing analysis | <ul style="list-style-type: none">• Monitoring of counterparty credit ratings• Diversification and careful selection of securities and counterparties |
| Liquidity Risk | <ul style="list-style-type: none">• Sensitivity analysis | <ul style="list-style-type: none">• Maturity analysis• Monitoring the duration of the portfolio• Assessments of performance versus benchmark |
| Market Risk | <ul style="list-style-type: none">• Interest rate sensitivity analysis | <ul style="list-style-type: none">• The volatility of the market risk is reduced as the Public Trustee does not undertake any hedging activities, foreign exchange exposures or enter into derivative financial instruments for speculative purposes.• Continual monitoring of current and expected changes in economic conditions. |

Management of the Public Trustee's Investment Services Program (Investment Team) has been given a discretionary authority to manage the assets of the Common Fund in line with the Public Trustee's investment objectives. As part of the Investment Board's annual review of its investment strategy, a strategic asset allocation for the Common Fund of 60% cash and 40% Australian fixed interest continues to be appropriate.

Benchmarks are set for the cash and fixed interest portfolios and the following operating limits apply for the management of such assets:

| Australian Fixed Interest | Operating Range | |
|---------------------------|-----------------------|-----------------------|
| Modified Duration | Lower Limit | Upper Limit |
| At portfolio level | Benchmark - 0.5 years | Benchmark + 0.5 years |

In instances where the portfolio diverges from authorised limits and ranges, the Public Trustee is obliged to take actions to rebalance the portfolio in line with the authorised limits and ranges, within prescribed time limits.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

19. Financial Risks Disclosures (Continued)

(c) Credit Risk

The Public Trustee is exposed to credit risk. Credit risk relates to the likelihood of default and the scale of losses arising from any default. The Common Fund Credit Policy seeks to minimise the likelihood of default and likely losses from any default.

Specifically, the Credit Policy seeks to minimise the following three main types of credit risk:

- default risk – the risk that an issuer of a security fails to make timely payments of principal and interest;
- credit spread risk – the risk that the yield on a bond rises by more than general market yields thus causing a relative decline in the market value of the affected bond; and
- credit ratings transition risk – the risk that the credit rating of an individual bond is downgraded, thereby potentially causing the yield on the affected bond to rise and the market value to fall.

In accordance with the Public Trustee's policy, the credit positions are monitored on a daily basis and the Investment Board reviews it on a monthly basis. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

(i) Debt securities - fixed and floating rate

An analysis of the Public Trustee's exposure to debt issues is set out in the table below:

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Available for sale | | |
| Semi-government bonds fixed interest debt securities | | |
| 'AAA' credit rating* | - | 11,451 |
| 'AA+' credit rating* | 88,728 | 95,941 |
| 'AA' credit rating* | 25,279 | 19,982 |
| 'Aa2' credit rating** | 1,489 | 1,481 |
| Corporate fixed rate bonds | | |
| 'AAA' credit rating* | 21,215 | - |
| 'AA-' credit rating* | 110,118 | 62,035 |
| 'A+' credit rating* | - | 14,042 |
| Corporate floating rate notes | | |
| 'AAA' credit rating* | 3,820 | - |
| 'AA-' credit rating* | 126,691 | 126,912 |
| 'A+' credit rating* | - | 3,815 |
| 'A' credit rating* | 21,107 | 21,120 |
| | 398,447 | 356,779 |

* as determined by Standard and Poor's

** as determined by Moody's

(ii) QIC unit trust

The credit risk arising on investments in unlisted unit trusts is mitigated by investing with managers who are well recognised and have a proven track record of delivering on their stated investment objectives. The Investment Manager at the unlisted unit trust level carries out extensive due diligence on any proposed manager prior to making an investment and continual monitoring of the Investment Manager by the Public Trustee is also carried out on an ongoing basis.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

19. Financial Risks Disclosures (Continued)

(c) Credit Risk (Continued)

(iii) Deposits – fixed and floating rate

An analysis of the Public Trustee's exposure to deposits by counterparty rating is set out below:

| | 2018 \$'000 | 2017 \$'000 |
|-----------------------|------------------------|------------------------|
| 'AAA' credit rating* | 5,009 | - |
| 'AA-' credit rating* | 252,665 | 325,564 |
| 'A+' credit rating* | - | 15,154 |
| 'BBB+' credit rating* | - | 13,204 |
| | 257,674 | 353,922 |

* as determined by Standard and Poor's

(iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of 'AA-' (as determined by Standard and Poor's) or higher.

(d) Liquidity Risk

Liquidity risk is the risk that the Public Trustee may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The majority of the Public Trustee's investments are generally considered readily realisable, as they are instruments that are traded in active markets. The Investment Board has a policy on having a minimum of 5% of assets in a form able to be liquidated in 24 hours.

The Public Trustee is exposed to liquidity risk through its management and administration of amounts held on behalf of clients. The portfolio positioning is generally matched to the expected duration of the amounts held on behalf of clients.

Deposits held in trust are classified as current liabilities in the statement of financial position as they are available at call, however for the purpose of this note disclosure the maturity groupings below are based on the Public Trustee's estimate of the likely cash outflows that will arise from these liabilities. The amounts in the table are the undiscounted cash flows.

| | < 1 year \$'000 | 1 – 4 years \$'000 | 4 – 7 years \$'000 | > 7 years \$'000 | Total \$'000 |
|------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------|
| 30 June 2018 | | | | | |
| Deposits held in trust | 185,790 | 113,613 | 67,496 | 368,728 | 735,627 |
| Payables | 1,901 | - | - | - | 1,901 |
| Total | 187,691 | 113,613 | 67,496 | 368,728 | 737,528 |
| | | | | | |
| | < 1 year \$'000 | 1 – 4 years \$'000 | 4 – 7 years \$'000 | > 7 years \$'000 | Total \$'000 |
| 30 June 2017 | | | | | |
| Deposits held in trust | 186,258 | 112,150 | 66,580 | 363,884 | 728,872 |
| Payables | 7,198 | - | - | - | 7,198 |
| Total | 193,456 | 112,150 | 66,580 | 363,884 | 736,070 |

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

19. Financial Risks Disclosures (Continued)

(e) Market Risk

The Public Trustee's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Investment Board reviews the investment strategy of the Common Fund against the objectives on an annual basis. The objectives include the management of interest rate risk attributable to interest payable and interest receivable. Further, the Public Trustee, in consultation with the Investment Board reviews "*interest rates payable on moneys held in the Common Fund*" on a monthly basis. The interest rates are prescribed by Regulation, upon recommendation of the Public Trustee, based on a number of market factors. The interest rates are based on market factors and indirectly subject to external interest rate risk and have been included in the net change of comprehensive income and other components of equity.

The following table summarises the impact on the Public Trustee's comprehensive income for the year and on equity through changes in fair value or changes in future cash flows. The changes in fair values are based on the assumption that interest rates change by +/- 50 basis points, based on the modified duration of the relevant financial assets at the end of the reporting period with all other variables held constant. The impact mainly arises from changes in the fair value of fixed interest debt securities.

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Interest rate change +50 basis points | | |
| Impact on Operating Result | (4,615) | (4,681) |
| Impact on Equity | (4,615) | (4,681) |
| Interest rate change -50 basis points | | |
| Impact on Operating Result | 4,531 | 4,618 |
| Impact on Equity | 4,531 | 4,618 |

The 50 basis points change in interest rates has been determined on management's best estimate, having regard to historical movements of changes in interest rates, current economic indicators and is not necessarily indicative of the effect on comprehensive income or equity of future movements in interest rates.

20. Events Occurring After the Reporting Period

There are no other matters or circumstances which have arisen since the end of the reporting period that have significantly affected or may significantly affect the operations of the Public Trustee, the results of those operations, or the state of affairs of the Public Trustee in future years.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET

21. Budget to Actual Comparison

This section discloses the Public Trustee's original published budgeted figures for 2017-18 compared to actual results, with explanations of major variances, in respect of the Public Trustee's statement of comprehensive income, statement of financial position and statement of cash flows.

| Statement of Comprehensive Income | Variance Notes | Original Budget 2018 \$'000 | Actual 2018 \$'000 | Variance 2018 \$'000 |
|---|---------------------------|--|-----------------------------------|-------------------------------------|
| Revenue | | | | |
| Fees | 1 | 54,600 | 58,919 | 4,319 |
| Interest revenue | 2 | 30,494 | 28,176 | (2,318) |
| Other revenue | | 3,002 | 3,346 | 344 |
| Total Revenue | | 88,096 | 90,441 | 2,345 |
| Expenses | | | | |
| Employee expenses | 3 | 54,667 | 52,321 | 2,346 |
| Supplies and services | | 16,628 | 17,625 | (997) |
| Depreciation and amortisation | | 2,170 | 2,280 | (110) |
| Interest expense | | 12,124 | 11,745 | 379 |
| Contributions | | 1,399 | 1,588 | (189) |
| Other expenses | | 1,073 | 1,472 | (399) |
| Total Expenses | | 88,061 | 87,031 | 1,030 |
| Operating Result | | 35 | 3,410 | 3,375 |
| Other Comprehensive Income | | | | |
| <u>Items that will not be reclassified subsequently to operating result</u> | | | | |
| Increase in asset revaluation surplus | | - | 598 | 598 |
| <u>Items that will be reclassified subsequently to operating result when certain conditions are met</u> | | | | |
| Net loss on available-for-sale financial assets | | - | (1,213) | (1,213) |
| Total Other Comprehensive Income | | - | (615) | (615) |
| Total Comprehensive Income | | 35 | 2,795 | 2,760 |

Explanations of Major Variances - Statement of Comprehensive Income

V1. Fees are higher than budget, mainly due to greater than anticipated professional services and other revenue.

V2. Interest revenue is lower than budget due to lower interest rates.

V3. Employee expenses are lower due to staff vacancies throughout the financial year. At 30 June 2018, there were 584 actual MOHRI FTEs compared to a budget of 609 FTEs.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

21. Budget to Actual Comparison (Continued)

Statement of Financial Position

| | Variance Notes | Original Budget 2018 \$'000 | Actual 2018 \$'000 | Variance 2018 \$'000 |
|---|-------------------|--------------------------------------|--------------------------|----------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 4 | 162,335 | 196,949 | 34,614 |
| Receivables | | 14,659 | 15,966 | 1,307 |
| Other financial assets | 5 | 510,156 | 533,935 | 23,779 |
| Prepayments & other | | 884 | 482 | (402) |
| Property, plant and equipment held for sale | | - | 1,985 | 1,985 |
| Total Current Assets | | 688,034 | 749,317 | 61,283 |
| Non-Current Assets | | | | |
| Other financial assets | 5 | 202,848 | 165,580 | (37,268) |
| Property, plant and equipment | 6 | 50,607 | 40,158 | (10,449) |
| Intangible assets | | 934 | 215 | (719) |
| Total Non-Current Assets | | 254,389 | 205,953 | (48,436) |
| Total Assets | | 942,423 | 955,270 | 12,847 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Payables | | 3,075 | 1,901 | 1,174 |
| Deposits held in trust | | 726,311 | 735,627 | (9,316) |
| Accrued employee benefits | | 12,554 | 14,483 | (1,929) |
| Total Current Liabilities | | 741,940 | 752,011 | (10,071) |
| Non-Current Liabilities | | | | |
| Accrued employee benefits | | 1,663 | 1,064 | 599 |
| Total Non-Current Liabilities | | 1,663 | 1,064 | 599 |
| Total Liabilities | | 743,603 | 753,075 | (9,472) |
| Net Assets | | 198,820 | 202,195 | 3,375 |
| Equity | | 198,820 | 202,195 | 3,375 |

Explanations of Major Variances - Statement of Financial Position

V4. Cash and cash equivalents are higher than budget largely due to maturing investments being held in cash pending improved interest rate conditions.

V5. Other financial assets are lower than budget due to more maturing investments being held in cash and cash equivalents instead of reinvesting into held-to-maturity term deposits pending improved interest rate conditions.

V6. Property, plant and equipment is lower than expected at balance date mainly due to the deferral of capital expenditure on buildings, most notably refurbishment works with respect to the Public Trustee's Brisbane head office and regional office buildings.

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The Public Trustee of Queensland
Notes to the Financial Statements
Year Ended 30 June 2018

21. Budget to Actual Comparison (Continued)

Statement of Cash Flows

| | Variance Notes | Original Budget 2018 \$'000 | Actual 2018 \$'000 | Variance 2018 \$'000 |
|---|---------------------------|--|-----------------------------------|-------------------------------------|
| Cash Flows From Operating Activities | | | | |
| <i>Inflows:</i> | | | | |
| Fees received | | 54,600 | 57,939 | 3,339 |
| Interest revenue received | | 30,494 | 28,176 | (2,318) |
| Other revenue received | | 988 | 977 | (11) |
| GST collected from customers | | - | 7,479 | 7,479 |
| Net amount (paid) / accepted as deposits held in trust | 7 | (1,073) | 6,022 | 7,095 |
| <i>Outflows:</i> | | | | |
| Payments to suppliers and employees | | (70,680) | (70,292) | 388 |
| GST paid to suppliers | | - | (3,636) | (3,636) |
| GST remitted to ATO | | - | (4,050) | (4,050) |
| Interest expense | | (12,124) | (11,745) | 379 |
| Net Cash From Operating Activities | | 2,205 | 10,870 | 8,665 |
| Cash Flows From Investing Activities | | | | |
| <i>Inflows:</i> | | | | |
| Sales of other financial assets | 8 | 152,653 | 193,248 | 40,595 |
| <i>Outflows:</i> | | | | |
| Payments for other financial assets | 8 | (152,653) | (144,251) | 8,402 |
| Payments for property, plant and equipment | 9 | (13,481) | (4,461) | 9,020 |
| Net Cash Flow From Investing Activities | | (13,481) | 44,536 | 58,017 |
| Net (Decrease)/Increase in Cash and Cash Equivalents | | (11,276) | 55,406 | 66,682 |
| Cash and Cash Equivalents At Beginning of the Financial Year | | 173,611 | 184,937 | 11,326 |
| Cash and Cash Equivalents At End Of the Financial Year | | 162,335 | 240,343 | 78,008 |

Explanations of Major Variances - Statement of Cash Flows

V7. The net amounts accepted as deposits held in trust were greater than expected due to increased client balances in respect of financial management clients.

V8. The net receipts for financial assets were higher due to a combination of higher than anticipated bond sales and fewer purchases of term deposits in response to the low interest rate environment.

V9. Payments for property, plant and equipment were lower than expected for the year due to the deferral of capital expenditure on buildings, most notably refurbishment works with respect to the Brisbane head office and regional office buildings.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

21. Budget to Actual Comparison (Continued)

Administered Unclaimed Moneys

| | Variance Notes | Original Budget 2018 \$'000 | Actual 2018 \$'000 | Variance \$'000 |
|---|-------------------|--------------------------------------|--------------------------|--------------------|
| Administered Income | | | | |
| Interest from investing activities | | 704 | 717 | 13 |
| Unclaimed moneys recognised as consolidated revenue | 10 | 2,616 | 2,442 | (174) |
| Total | | 3,320 | 3,159 | (161) |
| Administered Expenses | | | | |
| Other expenses | 11 | 1,134 | 980 | 154 |
| Amount transferable to government | | 2,186 | 2,179 | 7 |
| Total | | 3,320 | 3,159 | 161 |
| Net Surplus/(Deficit) | | - | - | - |
| Administered Assets | | | | |
| Current | | | | |
| Receivables | 12 | 3,320 | 3,159 | (161) |
| Total | | 3,320 | 3,159 | (161) |
| Administered Liabilities | | | | |
| Current | | | | |
| Payables | 13 | 3,320 | 3,159 | 161 |
| Total | | 3,320 | 3,159 | 161 |
| Net Administered Assets | | - | - | - |

The above statement of administered Unclaimed Moneys does not include Unclaimed Moneys held by the Public Trustee for less than six years as these amounts are not yet transferrable to Consolidated Revenue and therefore not reported for budgetary purposes.

The total amount of Unclaimed Moneys held by the Public Trustee for less than six years at 30 June 2018 was \$42.3m (2017: \$37.9m). Please refer financial statement Note 22 for details.

Explanations of Major Variances - Administered Unclaimed Moneys

V10. Unclaimed moneys recognised as consolidated revenue is lower due to a reduced volume of unclaimed moneys that have been held by the Public Trustee for more than six years.

V11. Other expenses (including management fees payable to the Public Trustee) were lower in line with unclaimed moneys recognised as consolidated revenue .

V12. Receivables are lower due to reduced consolidated revenue recoverable from Queensland Treasury (refer V10).

V13. Payables are lower due to reduced management fees payable to the Public Trustee (Refer V11).

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

WHAT WE LOOK AFTER ON BEHALF OF THE GOVERNMENT AND OUR CLIENTS

22. Administered Transactions and Balances

Unclaimed Moneys Fund

The Public Trustee administers, but does not control, the Unclaimed Moneys Fund on behalf of the Government. In doing so, the Public Trustee has responsibility and is accountable for administering related transactions and items but does not have the discretion to deploy these resources for the achievement of the Public Trustee's objectives. Consequently these transactions and balances are not included in the financial statements and are disclosed in these notes for the information of users.

The investments of the Unclaimed Moneys Fund are being managed through the Public Trustee Common Fund which has a capital guarantee and a regulated rate of interest.

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Administered Income | | |
| Interest from investing activities | 717 | 704 |
| Unclaimed Moneys recognised as Consolidated Revenue | 2,442 | 3,008 |
| Total | 3,159 | 3,712 |
| Administered Expenses | | |
| Management fees | 259 | 298 |
| Capital rebate fee | 721 | 396 |
| Revenue transferable to government | 2,179 | 3,018 |
| Total | 3,159 | 3,712 |
| Net Surplus/(Deficit) | - | - |
| Administered Assets | | |
| Current | | |
| Receivables | 980 | 693 |
| Other financial assets | 44,468 | 40,939 |
| Total | 45,448 | 41,632 |
| Administered Liabilities | | |
| Current | | |
| Payables | 3,159 | 3,757 |
| Total | 3,159 | 3,757 |
| Non-Current | | |
| Unclaimed moneys fund balance | 42,289 | 37,875 |
| Total | 42,289 | 37,875 |
| Net Assets | - | - |

During 2017-18, funds totalling \$3.1m (2017 \$2.6m) were transferred to the Consolidated Fund in accordance with the provision of the *Public Trustee Act 1978*.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

23. Other Funds Managed By The Public Trustee

The Public Trustee has responsibility for the management of a range of client assets, such as property and investments, which are held in specie and do not form part of the Common Fund.

These transactions and balances held outside the Common Fund are not controlled nor administered items. Consequently they are not included in the financial statements and are disclosed in these notes for the information of users only. Accordingly, measurement requirements of Australian Accounting Standards do not apply to these amounts held outside the Common Fund.

Clients Assets Held outside the Common Fund at 30 June 2018

| | Deposits At Call | Other Investments | Pre & Post Retirement Products | Realty and Homes | Other | PT Growth Trust | Total |
|---|---------------------|----------------------|--------------------------------------|------------------------|----------------|-----------------------|------------------|
| Clients | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial management | 67,464 | 81,686 | 223,611 | 333,730 | 130,416 | 130,265 | 967,172 |
| Deceased estates | 50,991 | 30,136 | 11,043 | 223,660 | 21,403 | - | 337,233 |
| Minors, general and testamentary trusts | 39,622 | 27,422 | 1,795 | 125,451 | 5,774 | 186,972 | 387,036 |
| Other clients | 11,085 | 16,424 | 3,741 | 20,595 | 22,473 | 12,723 | 87,041 |
| Total | 169,162 | 155,668 | 240,190 | 703,436 | 180,066 | 329,960 | 1,778,482 |

Clients Assets Held outside the Common Fund at 30 June 2017

| | Deposits At Call | Other Investments | Pre & Post Retirement Products | Realty and Homes | Other | PT Growth Trust | Total |
|---|---------------------|----------------------|--------------------------------------|------------------------|----------------|-----------------------|------------------|
| Clients | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial management | 55,103 | 78,102 | 200,024 | 313,949 | 150,225 | 123,500 | 920,903 |
| Deceased estates | 55,156 | 28,203 | 16,251 | 241,609 | 14,142 | - | 355,361 |
| Minors, general and testamentary trusts | 35,555 | 24,364 | 1,561 | 125,804 | 8,717 | 176,504 | 372,505 |
| Other clients | 9,389 | 15,895 | 3,193 | 19,628 | 15,575 | 12,437 | 76,117 |
| Total | 155,203 | 146,564 | 221,029 | 700,990 | 188,659 | 312,441 | 1,724,886 |

Deposits at call

Deposits at call represent balances held in bank accounts and other short term deposits. Short term deposits are updated as at 30 June each year. Balances held in bank accounts are generally updated at commencement of the file and subsequently at the most recent review.

Other investments

Other investments represent listed equities, listed and unlisted unit trusts, fixed interest rate investments, unlisted shares and unlisted unit trust investments. Listed equities are valued at fair value (market value). Other investments are valued by reference to written advice from the relevant financial institution, company or share registry and are recorded based on the latest available information.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

23. Other Funds Managed By The Public Trustee (Continued)

Pre and Post Retirement Products

Pre and post retirement products represent funds held in superannuation, account based pensions, life insurance policies, annuities and pension accounts. The Public Trustee has appointed Australian Super as its preferred supplier of superannuation services for clients of the office. The values of client's holdings with Australian Super are provided to the Public Trustee on a monthly basis for updating. For all other service providers, holdings are valued annually based on the latest product statement.

Realty and Homes

Realty comprises land and buildings. Generally, property values are provided by the Public Trustee valuers or external valuers upon commencement of the file. Different valuation rules and review dates apply depending on the type of client (e.g. deceased estate, financial management, trust) and the services provided by the Public Trustee. Realty assets are valued every three years with no indexation. Detailed valuation rules are contained in relevant operating manuals of the Public Trustee.

Homes include retirement dwellings, relocatable and mobile homes and are valued at original cost or estimated market value.

Other Assets

Other assets include all assets not separately disclosed above. The main items included in this category as at 30 June 2018 and their valuation methods are shown below:

| Asset Category | Description | Valuation Basis |
|-------------------------------|--|--|
| Business | A full or part share of a business owned by clients | Financial statements of the client's business |
| Contributions paid by clients | Contributions paid to aged care facilities by clients | Periodic aged care facilities statements. |
| Chattels | General household items | Estimated market value lodged with Centrelink, minimum insurance value or at original cost if purchased by the PT. |
| Other | Includes interest in deceased estates and workers' compensation claims | Original source document. |
| Vehicles | Including motor vehicles and bicycles | At original cost or estimated market value. |
| Liabilities | Secured and general liabilities | Periodic statements and invoices. |

Public Trustee of Queensland Growth Trust (the Growth Trust)

The *Trusts (Investments) Amendment Act 1999* enables trustees to move away from a defined list of authorised trustee investments to an investment philosophy invoking the "*Prudent Person Rule*". The Public Trustee, through the operation of the Growth Trust, has ensured that clients have access to tailored financial and investment plans to meet their lifestyle requirements.

As at 30 June 2018, the total amount of client funds held in the Growth Trust was \$330.0m (2017: \$312.4m). The financial results of the Growth Trust do not form part of these financial statements, consistent with the treatment of all clients' assets held outside the Common Fund.

Financial assets of the Growth Trust are invested in QIC Growth Fund and are valued at fair value (market value) as at 30 June each year. For further information, refer to the Growth Trust's General Purpose Financial Report as at 30 June each year. The financial report of the Growth Trust is independently audited by the Queensland Audit Office.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

OTHER INFORMATION

24. Key Management Personnel Disclosures

(a) Details of Key Management Personnel

The following details for Key Management Personnel (KMP) reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the Public Trustee during 2017-18 and 2016-17, as set out in the table below. Further information on these positions can be found in the body of the annual report under the section relating to Executive Management.

| Position | Responsibilities |
|---|---|
| Public Trustee of Queensland | The Public Trustee of Queensland is responsible for the efficient, effective and economic administration of the agency. |
| Deputy Public Trustee and Official Solicitor | The Deputy Public Trustee of Queensland and Official Solicitor is primarily responsible for the operations of the Office of the Official Solicitor, the Public Trustee's in-house legal service supplier. |
| Executive Director, Client Experience and Delivery | The Executive Director, Client Experience and Delivery is responsible for leading the Client Services Program to achieve financial viability and support the community and clients. |
| Executive Director, Investment & Finance Services & CFO | The Executive Director, Investment & Finance Services & CFO is primarily responsible for the financial stewardship of the agency. |
| Executive Director, Digital and Technology | The Executive Director, Digital and Technology is responsible for delivering digital and information technology services across the organisation. |

(b) Remuneration Policy

Remuneration policy for the Public Trustee's KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment for the KMP are specified in employment contracts.

Remuneration expenses for KMP comprise the following components:

- Base – consisting of base salary earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position;
- Vehicle allowance (cash) and movement in annual leave – includes a motor vehicle allowance, the movement in annual leave entitlements during the financial year and leave loading;
- Non-monetary benefits – consisting of the provision of any fringe benefits together with fringe benefits tax applicable to the benefit;
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned;
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations;
- Termination provisions are specified within individual contracts of employment. Contracts of employment provide for notice periods, service and separation payments and a repayment clause. No reason needs to be given for a contract termination; and
- The Public Trustee of Queensland is employed under the *Public Trustee Act 1978* and is not eligible for consideration for a performance bonus. Other KMP are also not eligible for performance bonuses.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

24. Key Management Personnel Disclosures (Continued)

(c) Key Management Personnel Remuneration Expense

The following disclosure focuses on the expense incurred by the Public Trustee that is attributable to key management positions during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the statement of comprehensive income.

2017-18

| Position | Short Term Employee Expenses | | | Long Term Employee Expenses | Post Employment Expenses | Termination Benefit | Total |
|---|------------------------------|----------------------------------|----------------|-----------------------------|--------------------------|---------------------|--------------|
| | Base | Vehicle Allowance & Annual Leave | Non - monetary | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Public Trustee of Queensland | 331 | 4 | - | 7 | 42 | - | 384 |
| Deputy Public Trustee and Official Solicitor | 205 | 26 | - | 10 | 25 | - | 266 |
| Executive Director, Client Experience & Delivery | 172 | 30 | - | 2 | 21 | - | 225 |
| Executive Director, Digital & Technology | 186 | 37 | - | 2 | 24 | - | 249 |
| Executive Director, Investment & Finance Services & CFO | 159 | 35 | - | 4 | 18 | - | 216 |
| Total Remuneration | 1,053 | 132 | - | 25 | 130 | - | 1,340 |

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

24. Key Management Personnel Disclosures (Continued)

(c) Key Management Personnel Remuneration Expense (Continued)

2016-17

| Position | Short Term Employee Expenses | | | Long Term Employee Expenses | Post Employment Expenses | Termination Benefit | Total |
|--|---------------------------------|---|-------------------|-----------------------------------|--------------------------------|------------------------|--------------|
| | Base | Vehicle Allowance & Annual Leave | Non - monetary | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Public Trustee of Queensland | 323 | 19 | - | - | 41 | - | 383 |
| Deputy Public Trustee of Queensland and Official Solicitor | 197 | 22 | - | 8 | 25 | - | 252 |
| Executive Director Client Services (1/7/16-2/10/16) | 44 | 12 | - | - | 6 | 40 | 102 |
| A/Executive Director, Client Experience & Delivery (12/12/16-31/3/17) | 43 | 4 | 7 | 1 | 5 | - | 60 |
| Executive Director, Client Experience & Delivery (2/5/17 to 30/6/17) | 25 | 6 | - | - | 3 | - | 34 |
| A/Executive Director, Digital & Technology (12/12/16-7/4/17) | 43 | 4 | 8 | - | 6 | - | 61 |
| Executive Director, Digital & Technology (11/4/17 to 30/6/17) | 38 | 7 | - | - | 5 | - | 50 |
| Executive Director, Investment & Finance Services & CFO (1/7/16 to 2/6/17) | 157 | 24 | - | - | 21 | 46 | 248 |
| A/Executive Director, Investment & Finance Services & CFO (5/6/17 to 30/6/17) | 9 | 2 | - | - | 1 | - | 12 |
| Total Remuneration | 879 | 100 | 15 | 9 | 113 | 86 | 1,202 |

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

25. Related Party Transactions

i. Transactions with people/entities related to KMP

During the year ended 30 June 2018, no transaction has occurred with any of the Public Trustee's KMP or people/entities related to the KMP.

ii. Transactions with other Queensland Government-controlled entities

The Public Trustee receives archival services from the Queensland State Archives, free of charge. The total fair value of archival services received in respect of 2017-18 was \$1.7m (2017: \$1.9m).

The Public Trustee receives insurance cover from the Queensland Government Insurance Fund (QGIF) in respect of property, general liability, professional indemnity, personal accident and illness and marine hull and liability at commercial rates. The total premium paid to QGIF in respect of 2017-18 was \$0.6m.

The Public Trustee also pays premiums to WorkCover Queensland in respect of workers' compensation insurance at commercial rates. Refer Note 4 for details.

The Public Trustee provides Community Service Obligations to the Queensland community in the form of contributions to the Office of The Public Guardian and Civil Law Legal Aid which is administered by Legal Aid Queensland. Refer Note 6 for details.

The Public Trustee holds investments with Queensland Treasury Corporation (QTC) and Queensland Investment Corporation (QIC). Refer Notes 2, 3 and 8 for details.

26. Taxation

The Public Trustee is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax and Goods and Services Tax (GST). GST credits receivable from and GST payable to the Australian Taxation Office (ATO) are recognised in the accounts.

27. First Year Application of New Accounting Standards or Changes in Accounting Policy

(i) Changes in Accounting Policy

The Public Trustee did not voluntarily change any of its accounting policies during 2017-18.

(ii) Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2017-18.

(iii) Accounting Standards Applied for the First Time

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This standard required additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. The disclosures required include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of reconciliation in the notes to the Statement of Cash Flows.

This standard has had no impact on the Public Trustee's financial statements as there was no financing activity recorded during 2017-18.

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The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

28. Future Impact of Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

These standards will first apply to the Public Trustee from its financial statements for 2019-20.

The Public Trustee has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from the provision of the Public Trustee's services such that some revenue may need to be deferred to a later reporting period to the extent that the Public Trustee has charged a fee but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). The Public Trustee is yet to complete its analysis of existing arrangements for provision of its services and the impact, if any, on revenue recognition has not yet been determined.

The Public Trustee does not currently have any revenue contracts with a material impact for the period after 1 July 2018, and will monitor the impact of any such contracts subsequently entered into before the new standards take effect.

A range of new disclosures will also be required by the new standards in respect of the corporation's revenue.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

These standards will first apply to the Public Trustee from its financial statements for 2018-19 with a 1 July 2018 date of transition. The main impacts of these standards on the Public Trustee are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Public Trustee's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The Public Trustee has reviewed the impact of AASB 9 on the classification and measurement of its financial assets. The following summarises the estimated impact (or ranges of estimates) of AASB 9 on the categorisation and valuation of the amounts reported in Notes 8 and 10.

- i. There will be no change to either the classification or valuation of the cash and cash equivalent item.
- ii. Trade receivables will be classified and measured at amortised cost, similar to the current classification of receivables. However, new impairment requirements will result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Public Trustee will be adopting the simplified approach under AASB 9 and measure lifetime expected credit losses on all trade receivables and contract assets using a provision matrix approach as a practical expedient to measure the impairment provision. The Public Trustee has estimated the impact of applying this approach on the provision for impairment for trade receivables on transition at 1 July 2018 as immaterial.
- iii. All financial assets listed in Note 10 will no longer be classified as held-to-maturity or available for sale. Instead, they will be classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income with no change from their existing measurement basis. As such, no change to the opening balances of these financial assets is expected on 1 July 2018.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

28. Future Impact of Accounting Standards Not Yet Effective (Continued)

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (Continued)

The Public Trustee is not required to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. Aside from a number of one-off disclosures in the 2018-19 financial statements to explain the impact of adopting AASB 9, a number of new or changed disclosure requirements will apply from that time. Assuming no change in the types of financial instruments that the Public Trustee enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment, and investments in unquoted equity instruments measured at fair value through other comprehensive income and de-recognition of these items.

AASB 16 Leases

This standard will first apply to the Public Trustee from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact for Lessees

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. There will be a significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

Internal-to-Government leases

The Public Trustee has a number of cancellable motor vehicle leases with QFleet that are not presently included as part of the operating lease commitments note as they do not constitute a lease under AASB 117 and Accounting Interpretation 4. The Public Trustee is also awaiting confirmation from Queensland Treasury that QFleet arrangements will continue to fall outside the requirements of AASB 16 for on-balance sheet accounting.

The Public Trustee of Queensland

Notes to the Financial Statements

Year Ended 30 June 2018

External-to-Government leases

For leases with external lessors, these comprise arrangements for the right-of-use of the Public Trustee office premises in Brisbane and regional Queensland.

The Public Trustee estimates, based on the current operating lease commitments totalling \$3.9m, a right of use asset would be recognised in the Statement of Financial Position on transition of approximately \$7.0m. The full impact of the standard including disclosures will be disclosed in the 2018-19 financial statements.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the Public Trustee's activities, or have no material impact on the corporation.

**Certification of the Public Trustee of Queensland
For The Year Ended 30 June 2018**

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1) (b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Public Trustee for the financial year ended 30 June 2018 and of the financial position of the at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Justine Callaghan
BCom CPA GAICD
Executive Director Investment & Finance
Services & CFO



Peter Carne
BALLB FAICD
Public Trustee of Queensland

23 Brisbane
August 2018

23 Brisbane
August 2018

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Public Trustee of Queensland

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Public Trustee of Queensland.

In my opinion, the financial report:

- a) gives a true and fair view of the Public Trustee of Queensland's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificates given by the Public Trustee of Queensland and the Executive Director Investment and Finance Services and Chief Finance Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Public Trustee of Queensland in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in the Public Trustee of Queensland's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

The Accountable Officer is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the Accountable Officer for the financial report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Accountable Officer is also responsible for assessing the Public Trustee of Queensland's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the Public Trustee of Queensland or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Public Trustee of Queensland's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Public Trustee of Queensland.
- Conclude on the appropriateness of the Public Trustee of Queensland's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Trustee of Queensland's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Public Trustee of Queensland to cease to continue as a going concern.

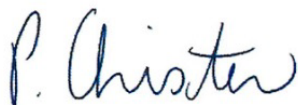
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



P CHRISTENSEN
as delegate of the Auditor-General

27 August 2018

Queensland Audit Office
Brisbane