

# Financial performance

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The Public Trustee's Financial Statements are included from page 39.

The Public Trustee recorded an operating loss of \$12M against a budgeted loss of \$5.4M. The operating loss recorded is predominantly due to lower fees and interest revenue as well as higher than anticipated employee and other expenses. These were partially offset by savings in supplies and services and lower interest expense.

The prioritisation of the safety and well-being of our customers and staff in response to COVID-19 impacted the financial performance for the year. The curtailment of some of our services as a result of the Government's COVID-19 restrictions and rent relief provided to tenants reduced our revenue during the period. Additional technology costs were incurred to facilitate staff working remotely and supplementary cleaning services and supplies were procured for our facilities throughout the state.

The Public Trustee deferred the implementation of changes to the *Public Trustee Regulation 2012* with effect from May 2020 in order to assist vulnerable Queenslanders by not reducing the interest rate payable to customers, resulting in a higher interest expense for the Public Trustee.

Our revenue sources in the last two financial years comprise the following:

| Revenue sources      | 2019-20     | 2018-19     |
|----------------------|-------------|-------------|
| Fees                 | 71%         | 66%         |
| Interest Revenue     | 25%         | 30%         |
| Other Revenue        | 4%          | 4%          |
| <b>Total Revenue</b> | <b>100%</b> | <b>100%</b> |

Gross revenue from fees decreased by 2 per cent from the previous year. The low interest environment, the curtailment of some of our services, predominantly property auctions, and higher Community Service Obligations have resulted in a decrease in revenue compared to the prior year.

The majority of Community Service Obligations (excluding the provision of free Will-making services) are deducted from gross fees to arrive at net fees reported in the financial statements, with the remaining amount recorded in contributions expense. This year, we provided a total of \$38.4M in Community Service Obligations at no cost to the Queensland Government, which was a 3.5 per cent increase from the previous year. As the Public Trustee is self-funded, these obligations were met from our own sourced revenue.

Our expenditure in the last two financial years comprises the following:

| Expenditure                   | 2019-20     | 2018-19     |
|-------------------------------|-------------|-------------|
| Employee Expenses             | 64%         | 59%         |
| Supplies and Services         | 18%         | 22%         |
| Interest Expense              | 8%          | 13%         |
| Depreciation and Amortisation | 3%          | 3%          |
| Contributions                 | 1%          | 1%          |
| Other Expenses                | 6%          | 2%          |
| <b>Total Expenditure</b>      | <b>100%</b> | <b>100%</b> |

Total expenses increased 1.2 per cent from the previous year. Employee expenses increased by 8.1 per cent from prior year as a result of wage increases and the \$1,250 one-off payment to employees which the Public Trustee has funded following the certification of the enterprise bargaining agreement. Non-employee expenses decreased by 8.8 per cent mainly due to lower interest expense and supplies and services, partially offset by higher other expenses.

## Other Comprehensive Income

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

All land and buildings were revalued during the 2018-19 financial year by independent valuers. The land and building values were not adjusted during the 2019-20 financial year as there was no significant change in the fair value of the Public Trustee's land and buildings based on the movement in the relevant indices year-on-year.

The market value of the Public Trustee's financial assets recorded unrealised gains of \$5.2M due to the improved market value of the existing bond portfolio as interest rates further declined. This increase in other comprehensive income, combined with the operating loss, resulted in total comprehensive loss of \$6.8M for 2019-20.

## Statement of Financial Position

### **Total Assets**

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

As at 30 June 2020, the Public Trustee held \$977.2M in assets, a decrease of \$5.2M from 30 June 2019, mainly due to a smaller investment portfolio compared to the prior year. Total assets include right-of-use assets as a result of the implementation of AASB 16 *Leases* in the 2019-20 financial year.

### **Total Liabilities**

The Public Trustee's liabilities include amounts held on behalf of customers, amounts owing to staff for leave entitlements and amounts owed to suppliers. Total liabilities were \$760.4M as at 30 June 2020, an increase of \$2.6M from the previous year. The increase in liabilities is primarily due to the recognition of a lease liability following the implementation of AASB 16.

### **Statement of Changes in Common Fund Reserves**

Total Common Fund reserves were \$216.8M as at 30 June 2020, decreasing from \$224.6M in the prior year due to the operating deficit for the year, opening accumulated surplus adjustments relating to the implementation of AASB *Leases* and AASB 15 *Revenue from Contracts with Customers*, offset by the gains on financial assets referred to above.

### **Prospective Outlook**

A budgetary deficit is forecast for the 2020–21 financial year which includes investment in continuous improvement initiatives which will ensure that the Public Trustee continues to be a sustainable self-funding organisation into the future, with a move towards a more modern, customers first service organisation. It is expected that the low interest rate environment, COVID-19 and an increasing number of customers eligible for rebates under the Public Trustee's Community Service Obligations policy will continue to impact the financial results in the coming year. However, a number of strategies are being developed to minimise the impact of the current environment on the Public Trustee's financial position.

### **Chief Finance Officer Statement**

Our Chief Finance Officer (CFO) has fulfilled the responsibility as required by the *Financial Administration Act 2009*. The CFO has provided the Acting Public Trustee of Queensland with a statement about financial controls, in accordance with section 54 of the *Financial and Performance Management Standard 2019*. This statement was noted by the Audit and Risk Management Committee.

## Public Trustee of Queensland Investment Fund – Growth Trust

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The Public Trustee of Queensland Growth Trust (Growth Trust) was established to provide our customers with the opportunity to have their funds managed by the Public Trustee with the expert assistance of a professional investment manager.

The Public Trustee is the manager and trustee of the Growth Trust and is responsible for determining the investment objectives and strategy, arranging for the proper investment of all monies and ensuring the appointed investment manager achieves acceptable rates of return. The Public Trustee has appointed QIC Limited ACN 130 539 123 (QIC) as the investment manager of the Growth Trust.

The investment aim and objective of the Growth Trust is to provide a fully diversified investment strategy for those seeking long-term income and capital growth. The investment objective of the Growth Trust is to generate average returns (net of fees and costs) of CPI + 2.4 per cent per annum over rolling five year periods.

The Growth Trust currently gains exposure to various assets classes and investment sectors by investing in the QIC Long Term Diversified Fund (formerly known as the QIC Growth Fund), while liquidity for the Growth Trust is managed by an investment of approximately one per cent in the QIC Cash Enhanced Fund or holding funds in cash at bank.

The asset allocation strategy of the Growth Trust is managed within the QIC Long Term Diversified Fund, a diversified portfolio of assets including Australian and international shares, fixed interest, property, infrastructure, private equity, alternative assets and cash.

The investment objective of the Growth Trust and performance for the five year period ending 30 June 2020 is as follows:

| Fund         | CPI Objective<br>(after fees)   | Objective<br>Target Return (%) | Annualised<br>Return (%) |
|--------------|---------------------------------|--------------------------------|--------------------------|
| Growth Trust | CPI + 2.4% over rolling 5 years | 3.70%                          | 3.85%                    |

Further information on the Growth Trust is available in its Product Information Statement and additional information is available on our website at <http://www.pt.qld.gov.au/about/publications/investments/>.