



Department of the Attorney General
Government of Western Australia



PUBLIC TRUSTEE

Annual Report 2007

Public Trustee Western Australia

PUBLIC TRUSTEE
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Statement of Compliance

HON Jim McGinty B.A., B.Juris. (Hons), LL.B., JP, MLA
ATTORNEY GENERAL

In accordance with Section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the annual report of the Public Trustee for the financial year ended 30 June 2007.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



John Skinner
Public Trustee
19 September 2007

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Overview

Executive Summary

Performance Highlights

- Legislation to enable the Public Trustee to reform its operations and services was debated and passed in the Legislative Assembly on 5 April 2007. The *Public Trustee and Trustee Companies Legislation Amendment Bill 2006* was then introduced in the Legislative Council on 3 May 2007.
- Throughout 2006/07 the Public Trustee undertook considerable planning and preparation for the projects and initiatives that will flow from the Bill. Project plans were drawn up for the investment restructuring, modelling of pricing arrangements and the new services to be introduced. Arrangements were also put in place for those employees who will be directly involved in these various initiatives.
- On a broader front, to prepare all employees for the significant changes as the legislative changes are implemented, they were surveyed to assess attitudes to service and willingness to accept change. The results of this survey will be used to develop strategies to better prepare employees for change and modernisation.
- A full review of the Public Trustee's computer-based business practice application, the Management, Accounting and Trust Environment (MATE) system, was completed in August. It was a three-part review consisting of a strategic system review, business process review and gap analysis of an alternative system, to determine current and future processing requirements.
- An Information Technology (IT) Strategic Plan was developed to incorporate the recommendations of the MATE review. The business system will be upgraded during 2007/08 and changes implemented after the proposed legislation comes into effect.
- In other changes, the general ledger system was replaced in the MATE system to better position the Public Trustee for future system and legislation changes.
- Throughout 2006/07 the Public Trustee introduced a comprehensive training and development program including improved training for trust managers, specific training modules for managers including one-on-one coaching, a mentoring scheme for new employees that enables them to move more easily from the training room to demanding hands-on client service roles; and client-related training programs such as training in managing grief and providing services for clients with disabilities.
- The creation and staffing of another team of trust managers has led to a 17% reduction in case loads for Level 3 and a 20% reduction in case loads for Level 4 Trust Management positions. This has resulted in a higher level of client service being offered as trust managers have fewer clients than previously.
- The reclassifying and filling by merit selection of all positions within the Trust Management and Estate Administration teams that begun in 2005/06, was completed in August 2006. All remaining positions within the Public Trustee were reviewed and reclassified and will be filled by August 2007.

Other achievements in 2006/07 included:

- introducing a payroll system for carers;
- implementing Phase One of a Strategic Marketing Plan to raise awareness of Trustee services through participation at community events and exhibitions, and stakeholder relationship development;
- optimising income for clients through full leasing of the Common Account asset, the Public Trustee Building at 565 Hay St Perth; and
- contributing significantly to the Law Reform Commission's Aboriginal Customary Laws Report.

Public Trustee's Report

This year has again been one of significant challenge and change as we sought approval for an amended legislation, undertook planning to implement the changes when the legislation is passed, reviewed our core business computing system and continued training and developing our employees.

The Bill containing the proposed changes to our legislation was introduced into Parliament in November 2006. It was debated and approved by the Legislative Assembly in early April 2007 and sent to the Legislative Council for their approval. Consideration by the Upper House is now awaited.

Throughout the year, we have planned and prepared for the implementation of these changes which will see the delivery of a sustainable business model.

We have now completed a thorough assessment of our core business computer system. This review and an associated review of our business processes provided valuable information on our system's future, and provided recommendations on what the technology direction should be. The main conclusion is that our system requires an upgrade so we can continue to meet the expectations of clients and major stakeholders, and we will continue to pursue the funding to enable this upgrade to occur.

A strong focus has also been placed on developing and broadening employee experiences to prepare them to take on the greater responsibilities that will arise post-legislation.

We also made progress in developing a co-ordinated public awareness campaign to raise the profile and better promote an understanding of our work. We did this through the development of a Public Trustee information pack, which has initially been distributed to all Parliamentarians to assist in dealing with constituent enquiries, and through employee representation at community activities in both regional and metropolitan locations. This community education work will continue in the coming year and increase when the legislative amendments are approved.

During the past year all employees also had the opportunity to contribute to a complete rewrite of the Public Trustee Strategic Plan, which covers the five year period 2007 – 2011.

The delivery of our services to all Western Australians in need is a very important part of our culture at the Public Trustee. At the moment, the cost of meeting these Community Service Obligations (CSOs) is largely funded by the Government of Western Australia.

However, it is expected that if the legislation amendments are approved by Parliament, the Public Trustee will be able to reach a position where these services would be provided at no cost to Government. This would be achieved over the medium term through increased revenue from new services to be introduced and increased fees by restructuring our investment arrangements, which is what occurs in the Public Trustees in the other States.

The delivery of CSOs was a primary reason for the creation of the modern form of the Public Trustee and the need for the CSOs has increased over the years. Our commitment to a fair and just society in Western Australia is through the provision of legal, financial and trustee management services, wherever it is fiscally possible, regardless of the ability to pay.

Our staff

An enduring strength of the Public Trustee is the people who work here. Many could work in better-paid and less demanding service areas. That so many people choose to stay and develop their careers here and strive to improve the level of services provided highlights their view that there is something very worthwhile about what we do, that is, making a difference to the lives of less advantaged people. The strength and resilience required to deal compassionately within this environment whilst retaining a balance in one's own life is, in my experience, unique.

I believe that the marvellous people that we have at the Public Trustee deserve greater support in their endeavours. To this end we commenced the implementation of a coordinated employee development program during the year. When fully rolled out, it will provide a broad and encompassing training initiative, which will help to ensure employees receive professional training upon joining, through to preparation to being a manager and ongoing development as they progress in their career with us. This program also includes developing skills to better recognise and serve the special needs of clients.

Our service

Our goal continues to be to provide a high level of service to our clients and to the Western Australian community with respect and dignity. We strive to provide this service with professionalism and ethical behaviour in an environment where a very high degree of confidentiality of client information is required.

Any improvement in our service delivery comes largely from two major aspects. Firstly, the resources applied to our services. During the past year we completed the review, begun in 2005/06, of the classification levels and team structure across the entire office. This resulted in over 85% of all positions being reclassified upwards, reflecting a better alignment of the seniority of employees and their respective responsibility and workloads. The filling of all positions that were adjusted by this process will be completed early in the coming financial year.

In conjunction with this review, we also completed the recruitment and training of an additional team in our Trust Management area. Funding for this team had previously been approved by the Government of Western Australia in recognition of the increasing workload in this area. This increase will reduce caseload numbers and improve our service standards.

The second major influence in improving our service delivery comes from the attitude of employees to providing a quality service. During the year we conducted a review of our service standards and adjusted them where we considered we could gain some improvement. We also conducted a cultural survey organised by a specialist human resources company to analyse the attitudes within the office towards the provision of service. The baseline results are the first stage of this review and will be analysed by the management team during the coming year to develop strategies to improve our attitudes to service standards.

However, we are very much aware that we are human and will, despite our best efforts, sometimes 'get it wrong'. For this reason, we are committed to a strong client feedback and complaint management process which includes a review by senior managers who consider the causes of the complaint and any systemic issues. One underlying corporate value that we hold is that if we get it wrong it will be fixed.

The future

Looking ahead, our focus will be on maintaining our service delivery standards whilst finalising our preparations for the proposed changes which will flow from an amended legislation, and seek approval for the funding for our computer system upgrade.

Seeing these two major initiatives through to completion will mean a challenging and demanding year. The employee development program rollout and continued emphasis on raising the public profile and promoting the Public Trustee will also be major objectives over the coming year.

In light of the significant changes ahead, in terms of the breadth of activities and responsibilities, it is timely to reflect on our corporate governance arrangements. Based on recent advice, the Public Trustee will pursue improvements in this area, that is, how we manage and are publicly accountable for our decisions and results, over the coming year.

Operational Structure

Enabling Legislation

The Public Trustee was established by the *Public Trustee Act 1941* and is a Statutory Authority within the provisions of the *Financial Management Act 2006*.

Responsible Minister

The Hon. Jim Andrew McGinty, B.A., B.Juris. (Hons), LL.B., JP
Attorney General; Minister for Health; Electoral Affairs

Corporate Executive Team

Public Trustee, John Skinner BSc, Grad Dip FP

Mr Skinner has extensive experience in financial services and management in both the State and Commonwealth public sectors.

A/Director Trustee Services, Sean Conlin BBus, Grad Dip Acct, CA

Mr Conlin has eight years public sector management experience, and 15 years financial services accounting and management experience in the private sector.

Director Business Services, Kerry Wilson BBus (Acct), CPA, Reg Tax Agent

Ms Wilson has seven years public sector management experience, and over 30 years financial services experience in both the public and private sectors.

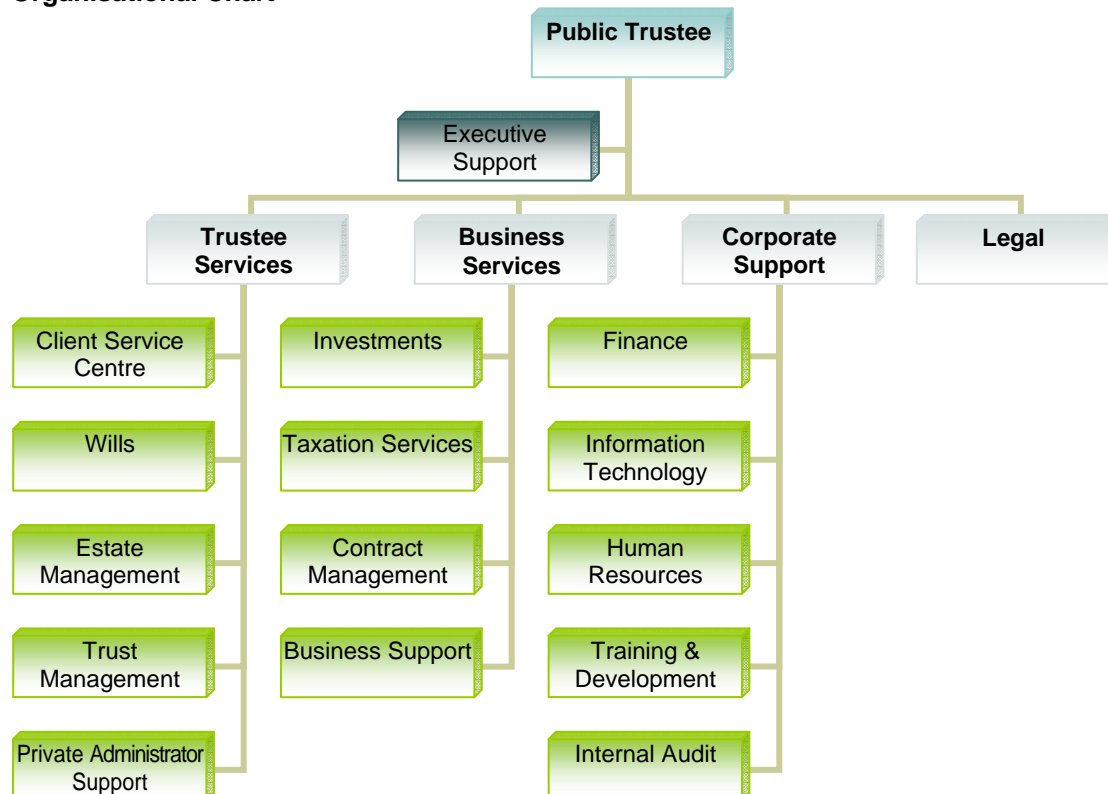
Director Corporate Support, Terry Hearn BBus, Assoc Dip Bus

Mr Hearn has 12 years management experience, and 28 years financial and management accounting experience in both the public and private sectors.

Principal Legal Officer, Michael Bowyer LLB

Mr Bowyer has 14 years public sector management experience, and 15 years legal advisory experience in policy, law reform, and criminal and civil action.

Organisational Chart



Administered Legislation

The Attorney General and the Public Trustee administer the *Public Trustee Act 1941* and *Public Trustee Regulations 1942*, and the Public Trustee complies with more than 100 State or Federal Acts in conducting its business.

Other Key Legislation Impacting on the Public Trustee's Activities

In the performance of its functions, the Public Trustee complies with the following relevant laws:

Aboriginal Affairs Planning Authority Act 1972;
Administration Act 1903;
Auditor General Act 2006;
Criminal Property Confiscation Act 2000;
Disability Services Act 1993;
Equal Opportunity Act 1984;
Financial Management Act 2006;
Freedom of Information Act 1992;
Guardianship and Administration Act 1990;
Inheritance (Family and Dependents Provision) Act 1972;
Industrial Relations Act 1979;
Minimum Conditions of Employment Act 1993;
Non-contentious Probate Rules 1967;
Occupational Safety and Health Act 1984;
Public Sector Management Act 1994;
Rules of the Supreme Court 1971;
Salaries and Allowances Act 1975;
State Administrative Tribunal Act 2004;
State Records Act 2000;
State Supply Commission Act 1991;
Trustees Act 1962; and
Wills Act 1970



Performance Management Framework

The Public Trustee, whilst a statutory authority in its own right, is not a separate agency and does not have its own Outcomes Based Management Framework but is part of and follows the overall Department of the Attorney General's Framework which is reproduced below.

Outcome Based Management Framework

Government goal

Better Services: enhancing the quality of life and well being of all people throughout Western Australia by providing high quality, accessible services.

Department goal

The right to justice and safety for all people in Western Australia is preserved and enhanced.

Department purpose

To provide high quality and accessible justice, legal, registry, guardianship and trustee services that meet the needs of the community and Government.

Department future

We are valued as leaders in developing and delivering justice services, policy and reforms that are significant and sustainable.

A copy of the Public Trustee's Strategic Framework 2007-2011 appears at Appendix One.

Changes to Outcome Based Management Framework

The Public Trustee's Outcome Based Management Framework did not change during 2006/07.

Shared Responsibilities with Other Agencies

The Public Trustee did not share any responsibilities with other agencies in 2006/07.

However the Public Trustee is a committee member of the Alliance for the Prevention of Elder Abuse Western Australia (APEA WA) which is a group of representatives from both government and private sector community organisations including Advocare, Office of Senior Interests and Volunteering, Health, Office of the Public Advocate and Disability Services Commission. APEA WA is the peak body responsible for formulating policies and developing strategies for the prevention and identification of abuse of the elderly.



Agency Performance - Report On Operations

Financial Targets

	Target ¹ \$	Actual \$	Variation ² \$
Total cost of services (expense limit)	12,489,728	13,436,427	(946,699)
Net cost of services (details from Income Statement)	2,788,728	3,544,083	(755,355)
Approved full time equivalent (FTE) employees	147	145.4	1.6

1. As specified in the budget statements for the year in question.

2. Total cost of Service increased due to budget increases for accommodation (\$144K); computer services (\$177K); carryovers (\$407K); wage increases (\$86K); depreciation adjustments (\$31K) and Department of the Attorney General's Corporate Overhead (\$195K).

Key Performance Indicators

	Target ³	Actual	Variation
Effectiveness			
1.1 Extent to which trustee services meet the needs of clients	80%	72%	-8% ⁴
1.2 Number of estates relative to the number of adult (18 years and over) deaths in Western Australia	14%	14%	0%
1.3 Extent to which the Public Trustee maintains a market share in drawing wills naming the Public Trustee as executor	12%	12%	0%
1.4 Percentage of estates finalised within 12 months of being reported	70%	67%	-3%
Efficiency			
1.5 Cost per trust managed	\$1,168	\$1,332	14% ⁵
1.6.1 Cost per deceased estate administered	\$1,829	\$1,764	-4%
1.6.2 Cost per will prepared	\$294	\$275	-6%

3. As specified in the budget statements for the year in question.

4. Lower results for dependability, accuracy and knowledge aspects of client satisfaction, all of which can be directly attributed to the abnormally higher rate of 26% employee turnover in the Trust Management area during the financial year.

5. Actual result is 14% higher than the target due to recurrent budget cost escalations and below target number of files.



Equitable access to trustee services for all Western Australians is a crucial element in maintaining an orderly community. Providing trustee services is the responsibility of the Public Trustee of Western Australia.

The Public Trustee provides professional and independent trustee and management services to all Western Australians. It offers a range of free community service and fee-based services which include:

- preparing and giving advice on making sound Wills;
- preparing Enduring Powers of Attorney (which are legal documents in which one person gives the legal authority to make financial and legal decisions on their behalf to another person);
- managing deceased estates of those who nominate the Public Trustee as Executor or where Executors approach the Public Trustee to administer the estate;
- managing the estate of Aboriginal and Torres Strait Islanders who die intestate (without a valid Will);
- managing the financial and legal affairs of people who are incapacitated or infirm or have intellectual or mental disabilities;
- acting as Trustee for people under the age of 18 (minors);
- acting as Trustee (when appointed by the Courts) to manage monies awarded as a result of criminal injuries or personal injuries compensation; and
- providing a free support service to over 1500 Private Administrators who are usually family members or close friends appointed by the State Administrative Tribunal to manage the financial affairs of another person who lacks the ability to manage their own affairs.

The Public Trustee is a statutory authority within the provisions of the *Financial Management Act 2006*. It provides a funds management and investment service through the operation of the Common Account – an at-call investment facility backed by the Government of Western Australia – and acts as trustee or financial administrator pursuant to the orders of courts or tribunals. It also administers the estates of people who die with or without a will, in accordance with the terms of the will or the relevant law and under the authority of the Supreme Court.

The Public Trustee has four main directorates:

1. Trustee Services provides core services to clients including
 - Client Service Centre
 - Wills
 - Estate Management
 - Trust Management
 - Private Administrator Support
2. Business Services provides advice and support to Trustee Services including
 - Investments
 - Taxation Services
 - Contract Management
 - Business Support
3. Corporate Support provides services that support Public Trustee employees including
 - Finance
 - Internal Audit
 - Human Resources
 - Information Technology
 - Training and Development
4. Legal Services provides services to clients and employees including wills, legal advice, law reform, dispute resolution and litigation.

Trustee Services

Following on from last year's theme of consolidation, the primary focus during 2006/07 was working on strategies to attract and retain suitably qualified people, reduce trust manager file loads and provide targeted training to employees. These initiatives will enable the Public Trustee to provide a better quality of service to clients in the medium-to-long term as well as equip employees to better cope with the demands of their jobs.

Initiatives embarked upon include:

- Finalising the reclassification of all positions within the Trust Management and Estate Administration teams. This has been a major exercise that has not only involved the assessment and reclassification of 75 positions but also the advertising and filling of those positions. This was commenced in 2005/06 and completed in 2006/07.
- Reviewing and reclassifying all positions within the Private Administrator Support, Wills and Client Service Centre teams. Eighteen positions were reviewed and the task was 90% complete as at 30 June 2007.
- Reducing caseloads by creating and staffing a new team of six trust manager positions. This has led to a 17% reduction in case loads for Level 3 and a 20% reduction in caseloads for Level 4 Trust Management positions which has had a positive effect on both employees and clients as each trust manager now has fewer clients and is able to provide a higher level of service.
- Reviewed and revised the induction training program for new trust and estate managers coming into the Trustee Services directorate. The program has been expanded to include three months of training that combines training in a structured class room environment with practical training from experienced trust and estate managers on the client service floors.
- Introduced a formal mentoring program for new estate and trust managers.
- Continued with the specialist training for trust managers in how to better understand and deal with clients who suffer from various clinical conditions. This training will better equip our employees to overcome the challenges they face on a day-to-day basis and enable them to adopt a confident, empathetic and decisive approach to clients.
- Reviewed internal and external client service standards to ensure they are relevant and current.
- Developed a resource manual to assist trust managers to locate and use the services of external agencies to provide support to Public Trustee clients.

Client Service Centre

Usually the first point of contact for all clients, the centre plays an important role in the delivery of improved client service. Client service officers provide information on all Public Trustee services to the public, and arrange appointments and allocate files to estate and trust managers.

Client Service Centre officers also answer phone and written inquiries, check death notices daily in the newspapers against the Public Trustee's wills index, and initiate first contact with the families and next of kin of deceased clients.

Wills

A professional and no charge will-drawing service is provided for those who want the Public Trustee to be their executor. There are now more than 100,000 wills held in safe custody.

During the year, employees prepared or amended 3,669 wills. The 'Wills on Wheels' service provided a visiting will drawing service to 333 people who were unable to attend the office due to infirmity or extreme age.

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The Public Trustee also provides an Enduring Power of Attorney service to ensure a person's assets are protected during any period of incapacity. These are prepared at no cost for clients who appoint the Public Trustee as donee or substitute donee.

Estate Management

Responsible for administering the estates of people who die with or without a will, the section's continued emphasis has been on improving the standard of service to meet client expectations.

During the year, the Public Trustee continued to assist beneficiaries in estates where there are only limited or nominal assets (including beneficiaries administering the estate themselves) and encourage them to take a more active role. The Public Trustee has adopted this strategy to maximise the return to these beneficiaries.

The Public Trustee's market share of estate administrations remained relatively steady with 13.3 per cent of total applications to the Supreme Court Probate Registry¹, compared to 13.2 per cent in 2005/06.

Applications to the Supreme Court Probate Registry¹

	2004/05	2005/06	2006/07
Public Trustee	713	667	695
Other	4,170	4,404	4,536
Total	4,883	5,071	5,231

1. Figures supplied by the Supreme Court Probate Registry.

Trust Management

Trust managers act as trustee, manager, donee, substitute trustee, or administrator for people who are unable or unwilling to manage their own financial affairs.

The total number of new trusts (including appointments by the State Administrative Tribunal) reported for administration during the year was 560 which is 6.1 per cent above that of the previous year, when 528 new trusts were reported.

The total number of trusts on hand at the end of 2006/07 increased marginally to 4,486, compared to 4,455 in 2005/06.

Trust Management caseload

	2004/05	2005/06	2006/07
Files on hand at year end	4,303	4,455	4,486

The number of people for whom the Public Trustee acts as administrator as a result of being appointed by the State Administrative Tribunal continues to rise. This year the Tribunal referred 311 cases to the Public Trustee (compared to 285 in 2005/2006).

At year-end there were 1,599 State Administrative Tribunal clients being administered by the Public Trustee, compared to 1,473 at 30 June 2006.

The continuing increase in the number of State Administrative Tribunal appointments of the Public Trustee can be attributed to the increase in the number of people in society with decision-making disabilities, due in the most part to the ageing population. People whose affairs are managed by the Public Trustee pursuant to an Administration Order include those who suffer dementia, an intellectual disability, mental illness or brain damage, and who are susceptible to neglect, abuse or exploitation by others. The role of the Public Trustee includes making financial and legal decisions that are in the best interests of the client.

The number of new court trusts allocated to trust managers for the year increased slightly to 202 in 2007 from 200 in 2006. Court trusts originate mainly from the District Court and the Assessor of Criminal Injuries Compensation, and the size of these trusts varies from several thousand dollars to several million dollars. Administering these trusts includes setting up investment portfolios, collecting income, working out budgets for the beneficiaries and attending to their accommodation and transport needs. Ongoing communications with clients is achieved through meetings at the Public Trustee and through trust managers visiting homes and nursing homes. During the year, trust managers held 2,488 client interviews, either within the office or at the client's residence.

The State Administrative Tribunal reviewed 454 administration orders for which the Public Trustee was the appointed administrator.

Private Administrator Support (PAS)

Responsible for examining annual accounts prepared and submitted by private administrators, the team also assists administrators to understand their role and responsibilities including providing technical advice regarding the preparation of the annual accounts.

The Public Trustee also worked closely with the Office of the Public Advocate to present three training seminars for 65 recently appointed administrators.

During the 2006/007 year, the PAS Team concluded 1,317 examinations with total assets exceeding \$484 million. The Public Trustee issued eleven Certificates of Loss arising out of these examinations with combined losses of more than \$67,986.

Client Feedback

The Public Trustee registered 26 different feedback matters - 21 were complaints and 5 were letters of appreciation.

Five of the 21 complaints related to the manner or tone adopted by the officer and 16 related to the outcome, costs or a specific event. All of the complaints were responded to within the performance standard of ten working days and there were no complaints outstanding as at 30 June 2007.

Letters of appreciation related to the way that individual employees handled matters. Clients were impressed by the thoughtful treatment, thorough explanations and extra effort of the person mentioned.

In May 2007 the Public Trustee adopted the Department of Attorney General's new Customer Feedback Management System to record, monitor and track complaints, compliments and suggestions.

Community Service Obligations

The Public Trustee provides trustee services to all Western Australians irrespective of their ability to pay. The fees that the Public Trustee can charge are outlined in the *Public Trustee Act 1941* and the second schedule of that Act.

There are a number of services known as Community Service Obligations (CSO) that the Public Trustee provides free of charge or for a fee that does not cover the cost of providing that service.

Those services which fall into the category of a CSO include:

- providing a free will making service for those people who name the Public Trustee as Executor of their estate;
- providing a home visiting service to those in the community who, due to illness or infirmity, are unable to attend the office for a will appointment;
- acting as Administrator pursuant to an order made by the State Administrative Tribunal, and the fees recovered for performing this role do not cover the cost of providing the service;
- administering deceased estates where the fees charged are below cost recovery;
- examining the accounts of private administrators pursuant to provisions of the *Guardianship and Administration Act 1990*;
- acting as Trustee for compensation awards where the fees set are below cost recovery; and
- acting as next friend in legal proceedings for clients who are under a legal disability and do not have anyone available to act on their behalf.

Using the avoidable cost method of calculation, the Public Trustee provided CSO services worth \$3,967,690 during the year ended 30 June 2006.

Legal Services

This directorate provides the internal legal resources the Public Trustee requires to perform its legal and statutory duties as trustee, administrator, attorney and executor. Duties cover a broad range of areas including probate, property, commercial, debt recovery, personal injuries and family law. Six full-time equivalent legal officers, two law clerks, a legal secretary and a clerk staff the section. One or two articulated clerks on rotation from the State Solicitor's Office and Director of Public Prosecutions are also part of the team.

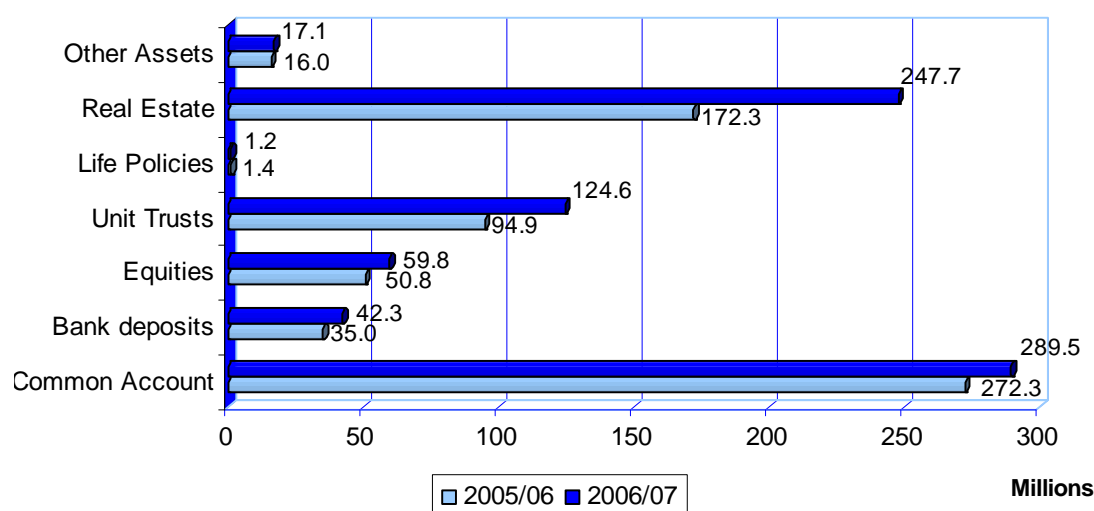
The Legal Services section provides a comprehensive service similar to a private legal practice. Legal officers generally conduct their own litigation, appearing in the Supreme, District, Local and Family Courts and the State Administrative Tribunal. Legal work is outsourced to private practitioners if there is a conflict of interest with the Public Trustee or in cases where it is appropriate for the estate to bear the cost. The opinion of Senior Counsel is sought in difficult cases.

At year-end, the Legal Services team was handling 331 legal matters, not including wills and estate distributions. Approximately half of the legal matters are expected to result in court actions, predominantly in the Supreme Court. Most of those court actions concern issues arising from the administration of the estates of represented persons, deceased estates and trusts. They include proving wills, seeking directions from the Supreme Court with regard to entitlements to deceased estates, recovery of misappropriated assets, personal injuries claims and family law proceedings.

Business Services

During 2006/07 all 21 positions were independently reviewed and 14 positions were re-classified as a result. The review was the second part of an office-wide review undertaken by the Public Trustee. Most of the re-classified positions have been filled by public advertising and panel selection, the remaining positions will be filled early in 2007/08.

Gross Assets under Administration



Investments

The Public Trustee's Financial Analyst is responsible for:

- managing the Common Account (formerly known as the Common Fund) which holds funds which have been placed in trust for clients of the Public Trustee. It operates like a cash management account, with funds being available at call while earning a competitive rate of interest;
- managing the individual investment portfolios of larger value trusts (valued at more than \$154 million) by supervising individual portfolios for clients with investment needs that cannot be met through the Common Account; and
- assisting trust and estate managers with individual client queries.

A licensed financial planner, who has been selected by the Public Trustee through a tender process, prepares investment portfolios. The Public Trustee, in consultation with the Investment Portfolio Review Committee, provides an approved list of investments from which the financial planner selects recommendations for each individual portfolio.

This method of investment selection ensures investments are consistent with the needs of the client, meet the Public Trustee's prudential requirements, and offer complete independence from any bias to related products that may contain hidden fees.

The Public Trustee's licensed financial planner is also contractually required to return all up-front and trail commissions to the client and the Public Trustee does not receive a commission on this service.

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The operations of the Investments section are monitored by the Investments Committee who also:

- review the performance of the investments;
- provide strategic investment policy to the Public Trustee; and
- act as a review and approval panel for Common Account mortgage applications.

The Investments Committee oversees and gives guidance to the investments of the Common Account and provides comment on the selection of managed funds for individual portfolio investments. The committee (of Public Trustee, Director Business Services, Director Trustee Services, Director Corporate Support, the Principal Legal Officer and the Financial Analyst) met 26 times last year.

The Public Trustee building at 565 Hay St Perth is a major asset of the Common Account and was fully leased. The value of the building has risen rapidly in line with other central business district buildings from \$12.22 million adjusted for market increase as at 30 June 2006 to \$25.3 million per the valuation as at 30 June 2007, from the Valuation Section of Landgate (formerly the Department of Land Information). The rapid rise has negatively affected the return on investment indicator because leases were negotiated and in place before the most recent rental increases, but it is still a very satisfactory position for Public Trustee clients who own the building.

The property function of the Investments section manages the sale and purchase of properties on behalf of trust and deceased estate clients, including appointing and liaising with real estate agents, checking contract documentation, and ensuring the transaction is properly completed. Relevant Trustee Services employees liaised with the beneficiaries and families during this process. During 2006/07 Investments section sold 140 properties for a total value of \$62,992,550.

Property Transactions

	2004/05	2005/06	2006/07
Properties sold	218	201	140
Value \$	49,900,000	55,597,098	62,992,550

A particular challenge for the Investments section in any year is the management of client expectations of the value of properties. In a rising market the historically based valuations are usually lower than the amounts that will be achieved at sale, but in a softening market the valuation and the expectations of clients can be higher than the market is willing to pay. Valuations and market appraisals are always collected and compared to assist clients and Trustee Services to set realistic sale and purchase prices for all properties handled by the Public Trustee.

The Investments section also manages the transfer of land, shares and registered securities during the management and distribution of trusts and deceased estates. A significant amount of this work involves liaison with Landgate.

Taxation Services

The Tax Manager and Senior Taxation Consultant oversee the preparation, review and electronic lodgement of all tax returns for both trust and estate administration clients, including individual, partnership, business, company and trust returns.

Both are registered tax agents and provide training for trust and estate managers and advice on complex tax matters to provide the most effective outcomes for trusts under administration. Taxation Services lodged 1,290 tax returns in 2006/07.

Contracts Management

The Contracts Manager oversees the letting and management of contracts for the provision of services and supplies to the Public Trustee. Contracts are managed in accordance with the Government of Western Australia's standards and where required in conjunction with the Department of Treasury and Finance.

Contracts fall within two broad groups; those where the cost of purchasing goods and services for corporate needs are sourced from government funds, and contracts where the cost of purchasing services are paid for from funds held on behalf of Public Trustee clients.

In both cases, contracts are managed in accordance with State Supply Policies and Guidelines and in accordance with Department of Treasury and Finance requirements. Ensuring open and effective competition and adopting a value-for-money approach consistent with the highest ethical standards are key elements of those policies.

A Tender Committee approves the awarding of contracts that involve purchases with funds held on behalf of Public Trustee clients and oversees the due diligence of all contracts. The committee now oversees service contracts with an estimated annual value of \$1.8million while providing support and guidance to the Contracts Manager. The Client Counselling contract is the only new contract awarded during 2006/07.

A significant number of contracts will expire in the coming 12 months and planning will soon commence for the re-tender of:

- Financial Planning Services
- Storage Facilities
- Genealogical Services

The Public Trustee is a member of the Government Electronic Market (GEM) and all public tenders over \$50,000 are placed on the GEM bulletin board.

Business Support

Business Support provides a file and mail service, including security storage of wills and other financially sensitive documents, as well as routine receipting and payments online. The section also handles the purchasing and asset management for all office needs, with the exception of computer and information technology items.

Public Trustee Manual Project

Commenced in the first quarter of 2006/07, this project aims to improve on the existing system for managing Public Trustee information, processes, policies and procedures.

The Project is on track with the continued updating and use of the current manual while the new manual is in development. Phase One involves the review and conversion of over 500 policies and procedures from the Trust and Estate Management business areas and will be completed during the second quarter of 2007/08. Phase Two involves the review and conversion of a further 300 policies and procedures from other business areas and will be completed by February 2008.

Freedom of Information Requests

Ten applications were received and complied with under the *Freedom of Information Act 1992*. Five of the ten applications were for non-personal information and four for personal information about the applicant. Access was provided in full to three, six were refused and one was transferred to another agency. The average time for the Public Trustee to process an application was 13 days from time of receipt to notice of decision.

Corporate Support

Finance

Responsible for providing the financial management and reporting functions within the Public Trustee, this section also assists the Corporate Executive in delivering financial outcomes consistent with financial targets. This is achieved through providing regular analysis and advice on the Public Trustee's finances, and ensuring the Corporate Executive is fully informed of the current financial position when making decisions. This in turn, results in sound financial management outcomes being attained.

Information prepared includes monthly Operation Reports and Expenditure Forecasts, quarterly Key Performance Indicator analysis, Budget analysis and Budget Statement preparation.

During 2006/07 the section managed a consolidated operational expenditure budget of \$12.28 million and a revenue budget of \$10.09 million, and liaised with the Department of the Attorney General to ensure the requirements of the Public Trustee were addressed in meeting their financial and strategic targets.

The section also managed the Common Account bank account, which averaged a balance of \$10.4 million throughout 2006/07 and co-ordinated a significant volume of financial transactions relating to clients' trust money, with receipts exceeding \$318 million and disbursements in excess of \$326 million.

Two positions within the section were reclassified as part of the office-wide review and filled through the open merit selection process in June 2007.

The General Ledger replacement process was completed during 2006/07 for commencement on 1 July 2007. The General Ledger facilitates the management of the \$339.5 million total assets of the Common Account. The process involved tendering for the most suitable product, extensive testing and data migration.

Information Technology

A major focus during 2006/07 has been the coordination and completion of the Business Process Review by an external contractor, the Quadrant Group. This review looked at current working practices and identified a number of areas for improvement, including where better use of current and new technologies could greatly enhance the service the Public Trustee provides to the public.

Leading on from this review, an analysis was done of the Public Trustee's computer-based business practice application, the Management Accounting Trust Environment (MATE) system, and its parent application from Queensland to determine the best path forward in developing MATE. It was determined that MATE was in need of upgrading to allow for a better response to meet the changing needs of the office. A project is now in place to identify the core functional requirements for the upgrade.

In addition, a strategic plan was developed in 2007 for the section which identifies strategies going forward which can further assist the office in its delivery of services to the public.

The proposed future installation of new software in the Public Trustee's MATE system means routine payments of client expenses, such as gas and electricity bills will be paid in a more efficient and timely manner. Trust managers have the authority to approve payments in advance which has resulted in significant time savings and reduced workloads, which means that Trustee Services are able to devote more time to client liaison and support.

Human Resources

The Public Trustee aims to position itself as “the trustee of choice for all Western Australians”, so during 2006/07 a number of people-management strategies were implemented to create a work environment that is consistent with the organisation’s vision, values, and objectives.

In recognition of employee knowledge, skills and work values, Phase I of an organisational review saw 84 positions primarily within the Estate and Trust Management sections being reclassified. Phase II of the review was approved for 30 positions not included in the initial review to be reclassified and to ensure parity across all positions in the Public Trustee.

A *People Ready* strategy for the Trust Management section has led to innovative recruitment strategies including applicant briefing sessions and in-house testing. Applicants now gain a better understanding of the work of the Public Trustee, its client base and the nature of the work undertaken at entry level and promotional positions to ensure a higher level of job satisfaction and employee retention.

A major feature of this strategy has been the use of appointment pools to combine positions for advertising, thus saving on advertising costs and increasing applicant numbers. Appointment pools have provided a ready source of suitable applicants for positions as they arise in subsequent months.

Additional intakes of entry level trust managers together with a revised in-house training program for new trust managers has seen induction training expand from a three week to a 12-week program supported by a mix of classroom and on-the-job training using coaching and mentoring support to develop the knowledge of trust managers. This program has been welcomed by management and employees who share in the learning and development of the new trust managers and are now realising the benefits of the program as they make a more seamless transition into the case management of clients.

A Cultural Change Program which was initiated in March, commenced with a employee survey to identify what are the predominant leadership styles, employee behaviours, values and beliefs that underlie the Public Trustee’s current culture. The survey results will assist with development plans for the leadership group, senior managers, team leaders and divisional teams to manage legislative changes, competitiveness in the marketplace, and a desire to progress and provide excellence in service delivery to clients.

Training & Development

The Employee Performance Assessment System (EPAS) continues to identify training and development opportunities for employees to increase their level of skills and provide a more structured learning environment through direct two-way feedback on employee performance. This process has identified a project which will provide a comprehensive learning program to maximise training of all areas of the Public Trustee. It is envisaged that EPAS will link training and development through a training calendar, mentoring, coaching and provide a vehicle to attracting cost effective group training.

A key aspect to the training and development of employees has been the appointment of mentors to new trust and estate managers.

In 2006/2007 the Public Trustee continued to commit its support to the personal and professional development of all employees. As part of that commitment, the following training was provided:

- *Cross-Cultural Awareness/Consciousness Workshop with Kooya Consultancy.* Thirty employees attended a one-day session covering communications in the Aboriginal culture, Aboriginal diversity and identity, past policies and practices, and case studies relevant to the Public Trustee.

- *Dealing with Difficult and Aggressive Clients with Aragon Education and Training.* A practically orientated one day course attended by 16 employees focused on verbal intervention techniques with an aim to increase individual confidence and skills in confronting and effectively dealing with difficult clients.
- *Certificate IV in Financial Services (Personal Trust Administration) with Trustee Corporation of Australian in conjunction with the University of Western Sydney.* Twelve employees studied fourteen enrolled units, and all units were provided by distance learning (e-learning) from Semester One 2007.
- *Workforce Culture Harassment and Bullying workshops with the Equal Opportunity Commission.* One hundred and seventeen employees participated in a program designed to help the Public Trustee to develop a strategic approach to equal opportunity objectives and responses to discrimination, harassment and victimisation.
- *Grievance Resolution training for managers by Equal Opportunity Commission.* Twenty managers attended a half-day session covering the roles and responsibilities in managing workplace grievances, consideration of the legislative, public sector and organisation's requirements, and developing a range of intervention and response strategies for grievance resolution.
- *Dealing with Conflict of Interest by the Corruption and Crime Commission.* Twenty five employees participated in a two-hour workshop aimed at providing the skills necessary to identify and manage potential conflicts of interest between public duty and personal lives, and explored the individual and organisational responsibilities to deal with the conflict.
- *Understanding your Clients' Needs with Network Case Management Services.* Thirty five Trust Management employees attended a day and a half training program designed to impart a basic understanding of a client's clinical conditions and how these impact on their ability to manage their own financial and legal affairs, relationships and life needs and how to deal more effectively with difficult situations such as with aggressive, abusive or clients in a crisis.
- *CV Writing and Addressing Selection Criteria workshop with Recruitment Assessments and Training WA.* Forty two employees attended a full-day workshop on developing the skills to write a successful job application and preparing for the interview.
- *Effective Staff Selection with PDT Consultancy.* Ten employees attended a workshop on the recruitment, selection and appointment process.
- *Foundation skills and one-on-one personal identification and skills planning with Centre for Professional Excellence.* Nineteen Managers and potential managers attended a series of workshops designed to prepare them for a management role and responsibilities.
- *Mentoring with Centre for Professional Excellence.* Twenty seven Managers and 15 selected employees to act as mentors attended workshops on the means of imparting professional knowledge, skills, attitudes and organisational values to new employees.
- *Estate Manager Induction program – customised in-house training program for new employees in Estate Management.* The aim of this in-house three month program is three-fold. Firstly, to develop an awareness and understanding of the organisation, its vision, values and structure. Secondly, to convey to the participants that the organisation is supportive by providing knowledge and access to the human resource, training and other facilities available to all employees and lastly, to provide knowledge and practical application of the tasks and responsibilities in the position within the Estate Management branch.
- *Trust Manager Induction program – customised in-house learning program for new employees in Trust Management.* The aim of this in-house three month program is similar to that of the Estate Manager Induction program and includes incorporating structured facilitated learning to the actual 'on-the-job' education.

Internal Audit

The 2006/07 Internal Audit Plan focused on three main areas:

- Fraud Risk Management;
- Financial Processes; and
- Corporate Governance.

Each review performed by KPMG who are appointed as part of the Department of the Attorney General Internal Audit contract identified further opportunities for improvement and highlighted many areas of strength. Where appropriate, corrective action was undertaken to address and further strengthen internal controls.

The Audit Committee oversees the management of the Internal Audit function and met twice during 2006/007. Its primary purpose is to provide guidance and direction, review audit reports and recommend action to ensure an efficient and effective internal audit function. The committee is a blend of both internal senior management and representation from external agencies, which includes the Office of the Auditor General, RiskCover and the Department of Attorney General.



Significant Issues and Trends

Legislation changes

The Public Trustee has been pursuing legislative changes to the *Public Trustee Act 1941* for some time. The legislation amendments will allow the necessary changes to the operations of the Public Trustee that will align office practices with comparable authorities in other states and also enable it to become self-funding within a four year period.

The legislation changes have been identified as essential to the sustainability of the Public Trustee and recognition of this has resulted in the progress of the changes through Parliament. Following the drafting of the Bill, it was introduced into Parliament in November 2006, and passed through the Legislative Assembly in April 2007. It is now awaiting debate in the Legislative Council.

Preparing for legislation changes and new look PT

The implementation of the expected legislative changes will require significant work in the modelling of fees payable by clients, the financial services offered to clients and the systems that will enable these changes to be efficiently introduced.

Inadequate funding

Funding for the Public Trustee's MATE system upgrade and legislation implementation (estimated cost of \$3.4M and \$0.933M respectively) was not approved for the 2007/08 Budget. The Public Trustee is currently seeking Government approval for the required funding. If funding is secured, the system upgrade will commence in early 2008.

Staffing pressures

Turnover in all divisions of the Public Trustee is comparable to industry standards except in the Trust Management area which experienced a higher turnover of 26%. Fifty per cent of the Trust Management employees who resigned during the year had been employed by the Public Trustee for less than 12 months.

The high turnover creates challenges in ensuring continuing service to our clients when officers are inexperienced or unable to maintain service delivery standards. Initiatives implemented to retain employees included the reclassifying of all positions within Trust Management, increasing trust training from three weeks to three months, implementing a mentor system, management development, and the preliminary development of a reward and recognition system.

Demand on Public Trustee services

Demand continued to grow for services provided by the Public Trustee in 2006/07, including new appointments as Administrator which grew by 9%.

Ageing population

External trends indicate demographic changes towards an ageing population, increased long term mental illness and a decline in family cohesiveness. The demand for trustee and executor services in Western Australia will continue to grow because the population is ageing at twice the rate of the overall national population growth¹, longer life expectancies, increasing prevalence of dementia and an overall rise in the number and complexity of cases involving people with decision-making disabilities.

The latest available projections estimate that growth of dementia in Western Australia is the third fastest in Australia, after the Northern Territory and Queensland and that by mid-century, the number of Western Australians with dementia is projected to increase to over 79,000 (5.5 times the number of those with dementia in WA in 2000).

The impact of this projection will be a greater reliance on trustee services and increased demand to meet community service obligations. These additional demands will have direct impacts on the quantity, quality and timeliness of Trustee Services.

(1) ABS 3201.0 – Population by Age and Sex, Australian State and Territories June 2006

Future directions for 2007/08

In 2007/08, the Public Trustee plans to:

Executive

- Continue to manage the process of securing the passage of the *Public Trustee and Trustee Companies Legislation Amendment Bill 2006*; and
- Increase profile and market share.

Trustee Services

- Finalise recruitment resulting from reclassification of positions within Private Administrator Support, Wills and Client Service Centre teams;
- Review team structures in Trust Management;
- Continue with the task of providing specialist training to trust managers to better equip them to deal with the day-to-day challenges that they face;
- Increase Wills services to expanding metropolitan area;
- Introduce innovations in customer service and business processes; and
- Implement new products and services upon passage of the legislation amendments.

Business Services

- Create a package of restructured and flexible fees which are responsive to market needs;
- Implement new Common Accounts to achieve enhanced investment capacity; and
- Complete the revised Public Trustee Manual

Corporate Services

- Secure funding for the principal business system application, the Management, Accounting and Trust Environment (MATE) system upgrade and implement the upgrade;
- Establish a business continuity reserve;
- Further review training needs and fully implement the advanced training and development program to focus on improving training and management development.
- Actively participate in the development of a business framework for long-term viability of the Public Trustee.
- Implement approved recommendations from the Information Systems Review.
- Further identify and refine strategies to enhance recruitment and retention.
- Assist further in reviewing and developing the Public Trustee strategic vision.
- Continue to identify and promote strategic relationship with key stakeholder groups.
- Continue to enhance corporate governance through compliance and establishment of new initiatives.
- Further develop and improve information and knowledge management capacity.
- Develop a management program that will focus on developing current and future Business Leaders and Senior Managers.

Disclosures and Legal Compliance

Auditor General Opinion



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

PUBLIC TRUSTEE FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007

I have audited the accounts, financial statements, controls and key performance indicators of the Public Trustee.

The financial statements comprise the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Public Trustee's Responsibility for the Financial Statements and Key Performance Indicators

The Public Trustee is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Public Trustee
Financial Statements and Key Performance Indicators for the year ended 30 June 2007

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Public Trustee at 30 June 2007 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Public Trustee provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Public Trustee are relevant and appropriate to help users assess the Public Trustee's performance and fairly represent the indicated performance for the year ended 30 June 2007.



COLIN MURPHY
AUDITOR GENERAL
17 September 2007

Financial Statements

Certification of Financial Statements

The accompanying financial statements of the Public Trustee have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2007 and the financial position as at 30 June 2007.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Terry Hearn
Chief Finance Officer
12 September 2007



John Skinner
Accountable Authority
12 September 2007

PUBLIC TRUSTEE
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

Income Statement	Note	2007 \$	2006 \$
COST OF SERVICES			
EXPENSES			
Write offs	6	39,065	35,799
Other expenses		-	198,360
Employee benefits expense	7(c)	8,912,277	8,297,443
Computer services	7(a)	140,852	262,992
Administration expenses	7(a)	2,310,283	1,708,790
Accommodation expenses	7(a)	826,268	569,442
Corporate service expenses	7(a)	1,246,747	1,184,365
Total expenses before payments to Consolidated Account		13,475,492	12,257,191
 Fees paid to the Consolidated Account	8	 8,924,342	 7,820,712
Surplus Common Account Interest paid to Consolidated Account	9	1,063,676	903,227
Total cost of services		23,463,510	20,981,130
 INCOME			
Fees raised from Estates and Trusts	2(i)	7,666,222	6,803,266
Public Trustee 6% fee from Common Account	2(i), 24(a)	1,258,120	1,017,446
Receipts from Common Account Surplus Interest	2(i), 9, 24(a)	1,063,676	903,227
Interest revenue	2(i), 24(a)	606,280	520,561
Other revenue	2(i)	13,700	14,554
Total Income other than income from State Government		10,607,998	9,259,054
 Net Cost of Service before Income from State Government	13(b)	 (12,855,512)	 (11,722,076)
 INCOME FROM STATE GOVERNMENT			
Liabilities assumed by the Treasurer	7(b)	416,366	371,503
Resources received free of charge from the Department of the Attorney General	7(a), 19	13,020,061	11,651,529
Total income from State Government		13,436,427	12,023,032
 SURPLUS FOR THE PERIOD		 580,915	 300,956

The Income Statement should be read in conjunction with the accompanying notes.

PUBLIC TRUSTEE
BALANCE SHEET
AS AT 30 JUNE 2007

Balance Sheet	Note	2007 \$	2006 \$
ASSETS			
Current Assets			
Cash - Investment in Common Account	13(a)	10,443,433	9,712,696
Total Current Assets		10,443,433	9,712,696
TOTAL ASSETS		10,443,433	9,712,696
LIABILITIES			
Current Liabilities			
Accrued fees payable to Consolidated Account	11	374,700	258,553
Tax liabilities	12	208,784	175,109
Total Current Liabilities		583,484	433,662
TOTAL LIABILITIES		583,484	433,662
NET ASSETS		9,859,949	9,279,034
EQUITY			
Indemnity reserve	10(a)(i)	3,857,446	3,172,421
Business development reserve	10(a)(ii)	3,230,000	3,230,000
Superannuation reserve	10(a)(iii)	2,450,592	2,450,592
Retained Earnings	10(b)	321,911	426,021
TOTAL EQUITY		9,859,949	9,279,034

The Balance Sheet should be read in conjunction with the accompanying notes.

PUBLIC TRUSTEE

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

Statement of Changes in Equity	Note	2007 \$	2006 \$
Balance of equity at start of period		9,279,034	8,978,078
RESERVES			
Indemnity Reserve			
Balance at start of period		3,172,421	2,792,743
Transfers to reserves		685,025	379,678
Balance at end of period	10(a)(i)	3,857,446	3,172,421
Business Development Reserve			
Balance at start of period		3,230,000	3,030,000
Transfers to reserves		-	200,000
Balance at end of period	10(a)(ii)	3,230,000	3,230,000
Superannuation Reserve			
Balance at start of period		2,450,592	2,648,932
Transfers from reserves		-	(198,340)
Balance at end of period	10(a)(iii)	2,450,592	2,450,592
RETAINED EARNINGS			
Balance at start of period		426,021	506,403
Surplus/(deficit) for the period		580,915	300,956
Transfer (to)/from reserves		(685,025)	(381,338)
Gain/(loss) recognised directly in equity		-	-
Balance at end of period	10(b)	321,911	426,021
Balance of equity at end of period		9,859,949	9,279,034
Total income and expense for the period		580,915	300,956

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

PUBLIC TRUSTEE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

Cash Flow Statement

	Note	2007 Inflows (Outflows) \$	2006 Inflows (Outflows) \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Fees raised from Estates and Trusts		7,634,398	6,748,372
Public Trustee 6% fee from Common Account		1,258,120	1,017,446
Receipts from Common Account Surplus Interest		1,063,676	903,227
Interest received from Common Account		606,280	520,561
GST receipts on fees		969,121	816,314
Other revenue		13,700	14,554
Payments			
Other expenditure		-	(198,360)
GST payments on purchases		(113,611)	(52,155)
GST payments to taxation authority		(829,076)	(740,379)
Net Cash provided by operating activities	13(b)	<u>10,602,608</u>	<u>9,029,580</u>
CASH FLOWS TO STATE GOVERNMENT			
Fees paid to Consolidated Account		(8,808,195)	(7,838,002)
Surplus Common Account Interest	9	(1,063,676)	(903,227)
Net Cash provided to State Government		<u>(9,871,871)</u>	<u>(8,741,229)</u>
Net increase in cash and cash equivalents		730,737	288,351
Cash and cash equivalents at the beginning of period		9,712,696	9,424,345
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	13(a)	<u>10,443,433</u>	<u>9,712,696</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Australian equivalents to International Financial Reporting Standards

General

The Public Trustee's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Public Trustee has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the Australian Accounting Standards Board (AASB) and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Public Trustee cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Public Trustee for the annual reporting period ended 30 June 2007.

2. Summary of significant accounting policies

2(a) (i) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, the Framework, Statements of Accounting Concepts, and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in individual notes to the financial statements.

2 (a) (ii) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of property, which is measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars (\$), and all values are rounded to the nearest whole dollar.

The judgements that have been made in the process of applying the Public Trustee's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed on note 3. 'Judgments made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 4. 'Key sources of estimation uncertainty'.

2 (a) (iii) Reporting Entity

The reporting entity comprises of the Public Trustee.

2 (b) Investments (Common Account)

Investments have been brought to account as follows:

(i) Mortgages

Mortgages are recorded at lending cost and remain fixed for the term of the loan.

(ii) Property

The building is recorded at fair value - refer note 24(g) (ii). The revaluation of the property is provided independently by Landgate, Western Australian Land Information Authority and is recognised in the financial statements.

(iii) Money Market Investments (Cash Equivalent)

Government and other money market securities are recorded at cost, adjusted for premium or discount amortisation, on a constant yield basis over the period to maturity.

For the purpose of the Cash Flow Statement, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

2 (c) Trust Funds

Section 40(1) of the Public Trustee Act 1941 requires all capital moneys, however arising, vested in the Public Trustee, shall, unless directed to be otherwise invested, become one common fund (herein called the "Common Account"). Details are shown at note 24(b) and 24(h). Details of receipts and payments in the individual estates and trusts are not shown in the financial statements.

2 (d) Reserves

The level of reserves is determined by the Public Trustee from earnings not paid to the Consolidated Account. The Public Trustee Indemnity Reserve has been established to meet any losses that the Public Trustee may incur in a corporate capacity. The reserve level is reviewed annually, is based on independent actuarial advice and represents a percentage of the total client assets and liabilities managed. The Business Development Reserve has been established to meet future capital requirements (refer Note 10(a)).

These reserves are in contrast to the Common Account Investment Reserve, which is used primarily for the operations of the Common Account, such as to stabilise interest paid to estates, meet losses on investments and maintain Common Account assets (refer Note 24(i)).

2 (e) Reporting of Assets and Liabilities Used by the Public Trustee

The Department of the Attorney General provides the Public Trustee with resources in the form of staff, equipment and other operating expenses. The assets and liabilities relating to these provided resources are reported in the Department of the Attorney General's Financial Statements (refer Note 7 & 19).

2 (f) Foreign Currency Translation

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange current at balance sheet date. Exchange gains and losses are brought to account in determining the result for the year.

2 (g) Comparative Information

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

2 (h) Net Fair Value

Net fair values of financial instruments are determined on the following basis:

Monetary financial assets and liabilities not traded in an organised financial market – cost basis for carrying amounts of investments in the Common Account and accrued fees payable to the Consolidated Account (which approximates net market value). (AASB 139.46(c)).

2 (i) Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Revenue is recognised for business activities as follows:

(I) Fees raised from Estates and Trusts are recognised on delivery of the service to the client.

(II) Public Trustee 6% fee from the Common Account is recognised at the end of each month, with a final adjustment at year-end.

(III) Receipts from Common Account surplus interest are recognised at year-end.

(IV) Interest revenue is recognised as it accrues, using the effective interest rate method.

(V) Other revenue is recognised at the time of the transactions occurrence.

2 (j) Resources received free of charge or for a nominal consideration

Resources received free of charge or for a nominal cost that can be reliably measured are recognised as income and as assets or expenses as appropriate, at fair value.

2 (k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

2 (l) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Public Trustee will not be able to collect the debts. The carrying amount is equivalent to fair value.

2 (m) Payables

Payables are recognised at the amounts payable when the Public Trustee becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value.

2 (n) Impairment of Assets

(i) Non-current Assets

Non-current Assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Public Trustee is a not-for-profit entity, unless an asset has been identified as a surplus asset, the

recoverable amount is the higher of the asset's fair value less cost to sell and the depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the recorded value reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

(ii) Financial Assets

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the assets is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

2 (o) Disclosure of changes to accounting policy and estimates

Initial application of an Australian Accounting Standard

The Public Trustee has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

- AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Public Trustee does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
- UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purpose of applying AASB 117 'Leases'. At balance sheet date, the Public Trustee has not entered into any arrangements as specified in the Interpretation, resulting in no financial impact in applying the Interpretation.
- UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Public Trustee has not entered into any contracts as specified in the Interpretation, resulting in no impact in applying the Interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Public Trustee as they have no impact and do not apply to not-for-profit entities:

**AASB Standards
and
Interpretations**

2005-1	'Amendments to Australian Accounting Standards' (AASB 139 - Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	'Amendments to Australian Accounting Standards [AASB 121]'
2006-3	'Amendments to Australian Accounting Standards [AASB 1045]'
2006-4	'Amendments to Australian Accounting Standards [AASB 134]'
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electrical Equipment'.
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Scope of AASB 2'

Future impact of Australian Accounting Standards not yet operative

The Public Trustee cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Public Trustee has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- AASB 7 'Financial instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB132, AASB 101, AASB 114, AASB 117, AASB133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Public Trustee's exposure to risks, enhanced disclosure regarding components of the Public Trustee's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Public Trustee does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)'. The amendments are as a result of the issue of AASB 7 "Financial Instruments: Disclosures", which amends the financial instrument disclosure requirements in these standards. The Public Trustee does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
- AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Public Trustee is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Public Trustee does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- AASB 2007-6 'Amendment to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. Amending standard issued as a consequence of revisions to AASB 123 Borrowing Costs. The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Public Trustee has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Public Trustee's financial report when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-7 'Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]. Amending standards for wording errors, discrepancies and inconsistencies. The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Public Trustee's financial report when the Standards are first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Public Trustee has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
- AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Public Trustee if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Public Trustee has not entered into any public-to-private

service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

- AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Public Trustee has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Public Trustee as they will have no impact and do not apply to not-for-profit entities:

AASB Standards and Interpretations

AASB 8	'Operating Segments'
AASB 123	'Borrowing Costs'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AAAS 139]' – paragraph 1 to 8
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 11	'AASB 2 – Group and Treasury Share Transactions'
Interpretation 13	'Customer loyalty programmes'
Interpretation 14, AASB 119	'The limit on a defined benefit asset, minimum funding requirements and their interaction'

3. Judgements made by management in applying accounting policies

One judgement made during the year was to apply the fair value of the Building Property of the Common Account. The fair value was determined by an independent valuation conducted by the Landgate, Western Australian Land Information Authority.

4. Key sources of estimation uncertainty

There have been no key sources of estimation uncertainty at the reporting date that have had a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

5. Events occurring subsequent to balance date

There has not arisen in the interval between the end of financial year and the date of this report, any item, transaction or event of a material or unusual nature that is likely, in the opinion of the Public Trustee, to affect significantly the operations of the Public Trustee, results of those operations or the state of affairs of the Public Trustee in future financial years.

6. Write offs

The amount of \$39,065 represents losses incurred during the administration of estates and trusts, which have been written off in accordance with Section 48 of the *Financial Management Act 2006*.

	2007 \$	2006 \$
Write Offs	39,065	35,799

7. Income from State Government

(a) Resources Received Free of Charge from the Department of the Attorney General

The operational costs of the Public Trustee are funded from the Public Trust Administration program of the Department of the Attorney General. A breakdown of the resources provided free of charge to the Public Trustee is as follows:

	2007 \$	2006 \$
Operating Expenses		
Employee benefits expense		
Salaries	7,781,406	7,250,442
Superannuation and pension	714,505	675,498
	8,495,911	7,925,940
Computer services	140,852	262,992
Administration expenses	2,310,283	1,708,790
Accommodation expenses	826,268	569,442
Corporate service expenses	1,246,747	1,184,365
	13,020,061	11,651,529

(b) Liabilities assumed by the Treasurer

The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme. Where the Treasurer has assumed a liability, the Public Trustee recognises revenues equivalent to the amount of the liability assumed and an expense relating to the nature of the event or events that initially gave rise to the liability.

	2007 \$	2006 \$
Operating Expenses		
Employee benefits expense		
Superannuation and pension	416,366	371,503
	416,366	371,503

PUBLIC TRUSTEE
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(c) Total Employee benefits expense.

	Note	2007 \$	2006 \$
Resources Received Free of Charge from the Department of the Attorney General	7(a)	8,495,911	7,925,940
Liabilities assumed by the Treasurer	7(b)	416,366	371,503
		8,912,277	8,297,443

8. Fees paid to the Consolidated Account

Fees received during the year are paid to the Consolidated Account in accordance with Section 38(1) of the *Public Trustee Act 1941*.

	2007 \$	2006 \$
Fees paid to the Consolidated Account	8,924,342	7,820,712

9. Public Trustee Common Account surplus interest

Following the payment of interest to trusts, estates and to the Public Trustee (includes Public Trustee 6% fee), any surplus earnings are deemed to be Surplus Common Account Interest. As detailed in Note 8, the Public Trustee may determine to pay some into the Consolidated Account (Section 40(4) (c) of *Public Trustee Act 1941*), determine to retain a portion as reserves or elect to leave as retained profit.

	2007 \$	2006 \$
Public Trustee Common Account Surplus Interest	1,063,676	903,227

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
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10. Equity

(a) Reserves

The Public Trustee has determined to retain a portion of the earnings as reserves. Funds that have been set aside to meet possible future liabilities of the Public Trustee have been transferred to reserves.

Details of the Reserves are as follows:

	Note	2007	2006
		\$	\$
Total Reserves			
Opening balance		8,853,013	8,471,675
ADD Transfer to Reserves		685,025	580,678
LESS Transfer from Reserves		-	(199,340)
Closing balance		9,538,038	8,853,013
 Represented by:			
Indemnity Reserve			
Opening Balance		3,172,421	2,792,743
ADD Transfer to Reserves		685,025	380,678
LESS Transfer from Reserves		-	(1,000)
Closing Balance	10(a)(i)	3,857,446	3,172,421
 Business Development Reserve			
Opening Balance		3,230,000	3,030,000
ADD Transfer to Reserves		-	200,000
LESS Transfer from Reserves		-	-
Closing Balance	10(a)(ii)	3,230,000	3,230,000
 Superannuation Reserve			
Opening Balance		2,450,592	2,648,932
ADD Transfer to Reserves		-	-
LESS Transfer from Reserves		-	(198,340)
Closing Balance	10(a)(iii)	2,450,592	2,450,592
 Total Balance of Reserves		9,538,038	8,853,013

(i) Indemnity Reserve

The Public Trustee Indemnity Reserve has been established to meet any losses that the Public Trustee may incur in a corporate capacity. The reserve level is reviewed annually, is based on independent actuarial advice and represents a percentage of the total client assets and liabilities managed.

(ii) Business Development Reserve

The purpose of the Business Development Reserve is to provide for future anticipated capital requirements. It also includes amounts previously held in the computer replacement and furniture reserves.

(iii) Superannuation Reserve

The Consolidated Account is liable to meet the superannuation liability of the Office of the Public Trustee in accordance with Section 39 of the Public Trustee Act 1941.

In 1988 State Treasury approved the establishment of a "Superannuation Fund" to meet future superannuation commitments of the Consolidated Account in relation to employees of the Public Trustee. Part of the surplus of the Common Account, which is otherwise payable to the Consolidated Account under Section 40 of the Public Trustee Act 1941, with Treasury

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

approval, is set aside in the "Superannuation Fund". Payments are made to the Consolidated Account by way of statutory contributions, some time in the future when the superannuation costs become due.

Superannuation for the employees of the Office is provided through the appropriate Western Australian Government Superannuation Schemes. Initially it was the Superannuation and Family Benefits Act Scheme (SFBAS) established under the Superannuation and Family and Benefits Act 1938.

A new lump sum scheme, the Government Employees Superannuation Act Scheme (GESAS), was established on 1 July 1987 under the Government Employees Superannuation Act 1987. Members of the SFBAS were given the option of transferring to this new scheme.

(b) Retained Earnings

	2007	2006
	\$	\$
Opening balance	426,021	506,403
Surplus	580,915	300,956
Transfer to reserves	(685,025)	(580,678)
Transfer from reserves	-	199,340
Closing balance	321,911	426,021

11. Accrued Fees payable to the Consolidated Account

	2007	2006
	\$	\$
Accrued fees payable to the Consolidated Account	374,700	258,553

12. Tax liabilities

	2007	2006
	\$	\$
GST payable	208,784	175,109

13. Notes to the Cash Flow Statement

(a) Reconciliation of cash

All Public Trustee funds held within the Public Trustee Common Account are available at call. Cash at the end of the financial year, as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2007	2006
	\$	\$
Cash - Investment in Common Account	10,443,433	9,712,696

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(b) Reconciliation of net cost of service before income from state government to net cash flows provided by operating activities:

	2007	2006
	\$	\$
Net Cost of Service before Income from State Government	(12,855,512)	(11,722,076)
Non-cash items:		
Employee benefits expense	8,912,277	8,297,443
Computer services	140,852	262,992
Administration expenses	2,310,283	1,708,790
Accommodation expenses	826,268	569,442
Corporate service expenses	1,246,747	1,184,365
Reclassification:		
Fees paid to the Consolidated Account	8,924,342	7,820,712
Surplus Common Account Interest paid to the Consolidated Account	1,063,676	903,227
Net GST receipts/(payments)	33,675	4,685
Change in GST in payables	33,675	4,685
Net cash provided by operating activities	10,602,608	9,029,580

(c) Non-cash Financing and Investing Activities

During the year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the Statement of Cash Flows.

14. Remuneration of members of the accountable authority and senior officers

Remuneration of Members of the Accountable Authority

The number of members of the Accountable Authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands is:

\$	2007	2006
10,001 - 20,000	-	1
20,001 - 30,000	-	-
30,001 - 40,000	-	-
40,001 - 50,000	-	-
50,001 - 60,000	-	1
140,001 - 150,000	-	-
150,001 - 160,000	1	-
The total remuneration of members of the Accountable Authority is:	\$152,168	\$65,111

The total remuneration includes the superannuation expense incurred by the Public Trustee in respect of members of the Accountable Authority.

No members of the Accountable Authority are members of the Pension Scheme.

Remuneration of Senior Officers who are not members of the Accountable Authority

The number of senior officers, other than senior officers reported as members of the Accountable Authority, whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands is:

\$	2007	2006
100,001 - 110,000	-	2
110,001 - 120,000	1	-
120,001 - 130,000	2	1
130,001 - 140,000	-	1
140,001 - 150,000	1	-
The total remuneration of senior officers is:	\$501,696	\$462,350

The total remuneration includes the superannuation expense incurred by the Public Trustee in respect of senior officers other than senior officers reported as members of the Accountable Authority.

No senior officers are members of the Pension Scheme.

15. Remuneration of auditor

Remuneration payable to the Auditor General for the financial year is as follows:

	2007 \$	2006 \$
Auditing the accounts, financial statements and performance indicators		
Fees to the Auditor General	70,000	80,300

16. Contingent liabilities & Commitments

(a) Contingent Liabilities

Litigation

In addition to the liabilities included in the financial statements, the Public Trustee has 5 matters where litigation against the Public Trustee may result. They involve potential claims for damages to the value of \$1,281,440 inclusive of court costs. All legal claims will be defended and consequently the Public Trustee believes the estimated liability will be minimal. As a result no liability has been recognised in the Financial Statements at 30 June 2007.

Contaminated sites

Under the Contaminated Sites Act 2003, the Public Trustee is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated – investigation required, the Public Trustee may have a liability in respect of investigation or remediation expenses. During the year the Public Trustee reported no suspected contaminated sites to DEC.

(b) Commitments

The property lease is a non-cancellable lease with a five year term commencing July 2004, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require the minimum lease payments to be reviewed 1 July 2006, 1 July 2008, 1 July 2010 & 1 July 2012. An option exists to renew the lease at the end of the five year term for an additional five years.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Property Lease	2007	2006
	\$	\$
Commitments for minimum lease payments are as follows:		
Within 1 year	391,950	352,200
Later than 1 year and not later than 5 years	470,381	784,888
Later than 5 years	-	-
	862,331	1,137,088

17. Impairment of assets

There were no indications of impairment to assets at 30 June 2007.

The Public Trustee held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use. There are no surplus assets held at 30 June 2007.

18. Financial instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Public Trustee are cash and cash equivalents and payables. The Public Trustee has limited exposure to financial risks. The Public Trustee's overall risk management program focuses on managing the risks identified below.

Credit Risk

The State Government guarantees all financial assets of the Public Trustee and therefore no credit risk exists in respect of those amounts. The Public Trustee trades only with recognised, creditworthy third parties. The Public Trustee has policies in place to ensure that services are provided to customers with an appropriate credit history. In addition, any receivables balances are monitored on an ongoing basis with the result that the Public Trustee's exposure to bad debts is minimal. There is no significant concentration of credit risk.

Liquidity risk

The Public Trustee has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments

Cash flow interest rate risk

The Public Trustee's exposure to market risk for changes in interest rates relate to cash which is invested in the Common Account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

(b) Financial Instrument disclosures*Interest Rate Risk Exposure*

The following table details the Public Trustee's exposure to interest rate risk as at the balance sheet date:

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturity						Non Interest Bearing	Total
			Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years		
2007	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Investment in Common Account	6.53	10,444	-	-	-	-	-	-	-	10,444
Total financial assets		10,444	-	-	-	-	-	-	-	10,444
Financial Liabilities										
Accrued fee	-	-	-	-	-	-	-	-	375	375
Tax liabilities	-	-	-	-	-	-	-	-	209	209
Total financial liabilities		-	-	-	-	-	-	-	584	584
Net financial assets / (liabilities)		10,444	-	-	-	-	-	-	(584)	9,860

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturity						Non Interest Bearing	Total
			Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years		
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Investment in Common Account	5.91	9,713	-	-	-	-	-	-	-	9,713
Total financial assets		9,713	-	-	-	-	-	-	-	9,713
Financial Liabilities										
Accrued fee	-	-	-	-	-	-	-	-	259	259
Tax liabilities	-	-	-	-	-	-	-	-	175	175
Total financial liabilities		-	-	-	-	-	-	-	434	434
Net financial assets / (liabilities)		9,713	-	-	-	-	-	-	(434)	9,279

Credit Risk Exposure

The State Government guarantees all financial assets of the Public Trustee and therefore no credit risk exists in respect of those amounts.

Fair Values

The carrying amount of financial assets and financial liabilities recorded in the balance sheet are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

19. Related bodies

The Public Trustee is a Statutory Authority. However, its operational expenses are appropriated by Parliament to the Public Trust Administration, which is a division of the Department of the Attorney General. Financial assistance was provided during the year – refer Note 7. Full details on the financial operations of the Public Trustee are detailed in the Department of the Attorney General Annual Report.

20. Financial reporting by segments

Disclosure of outcome results in terms of Treasury Instruction 1101 is not required because the Public Trustee operates predominantly in one business and geographical segment and as defined in Paragraph AUS1.2 of AASB 114 'Segment Reporting' not-for-profit entities are not required to comply with this standard.

21. Indian Ocean Territories - Christmas Island and Cocos (Keeling) Island

An agreement negotiated between the Commonwealth and the State Government, enables trustee services to be provided to both communities on a cost recovery basis.

The Commonwealth Government meets any shortfall between the Public Trustee normal fees charged for trustee services and the hourly rates. There were no visitations made to the islands during the financial year.

Statement of Receipts and Expenditure for the year ended 30 June 2007:

Opening Balance	Revenue	Expenditure	Closing Balance
\$	\$	\$	\$
5,726	-	(344)	5,382

22. Explanatory statement

(a) Significant variations between income and expenditures for the current financial year and those for the immediately preceding financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% and \$100,000.

	2007	2006	Variance
	\$	\$	\$
Income			
Fees raised from Estates and Trusts	7,666,222	6,803,266	862,956
Public Trustee's 6% fee from Common Account	1,258,120	1,017,446	240,674
Receipts from Common Account Surplus Interest	1,063,676	903,227	160,449
Resources received free of charge from the Department of the Attorney General	13,020,061	11,651,529	1,368,532
Expenses			
Other expenses	-	198,360	198,360
Computer services	140,852	262,992	122,140
Administration expenses	2,310,283	1,708,790	(601,493)
Accommodation expenses	826,268	569,442	(256,826)
Fees paid to the Consolidated Account	8,924,342	7,820,712	(1,103,630)
Surplus Common Account Interest paid to Consolidated Account	1,063,676	903,227	(160,449)

Fees raised from Estates and Trusts

The variance is due to increased fees raised from Trusts and Estates during the year.

Public Trustee's 6% fee from Common Account

The variance is due to fees raised on the increased earnings of Common Account.

Receipts from Common Account Surplus Interest

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Account Interest. As detailed in Note 10, the Public Trustee determined to pay an increased amount into the Consolidated Account and retain the remainder as reserves and retained profit.

Resources received free of charge from the Department of the Attorney General

The variance is caused by budget increases received Mid-Year, to fund accommodation cost increases and computer license cost increases.

Other expenses

The 2006 figure represents a payment from the superannuation reserve to the Consolidated Account to finance the Gold State retirement benefits of two retiring Public Trustee employees, no Gold State employees retired in 2007.

Computer services

The variance is due to a reduction in depreciation costs for the IT System.

Administration expenses

Administration costs increased due to increased staff training to meet the needs of our clients, and increases in the cost of computer licensing and maintenance, these computer costs were funded by a budget increase.

Accommodation expenses

The Public Trustee experienced a rent increase during 2007 which was funded by a budget increase.

Fees paid to the Consolidated Account

The variance is due to increased fees raised from Trusts and Estates during the year, the Public Trustee Act requires all fees raised to be paid into the Consolidated Account.

Surplus Common Account Interest paid to Consolidated Account

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Account Interest. As detailed in Note 9, the Public Trustee determined to pay an increased amount into the Consolidated Account and retain the remainder as reserves and retained profit.

(b) Significant variations between estimates and actual results for the financial year

Section 40 of the *Financial Management Act 2006* requires the accountable authority of a statutory authority to prepare annual estimates of the financial operations of the statutory authority. Treasurer's Instruction 945 requires an explanation of significant variations between these estimates and actual results.

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% of estimates and \$100,000.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 Estimates \$	2007 Actual \$	Variance \$
Income			
Fees raised from Estates and Trusts	6,876,800	7,666,222	789,422
Public Trustee's 6% fee from Common Account	1,084,200	1,258,120	173,920
Receipts from Common Account Surplus Interest	1,738,000	1,063,676	(674,324)
Expenses			
Administration expenses	1,552,000	2,310,283	(758,283)
Accommodation expenses	574,700	826,268	(251,568)
Corporate service expenses	1,051,700	1,246,747	(195,047)
Fees paid to the Consolidated Account	7,961,000	8,924,342	(963,342)
Surplus Common Account interest paid to Consolidated Account	1,738,000	1,063,676	674,324

Fees raised from Estates and Trusts

The variance is due to an increase in fees collected from both Estates and Trusts, resulting from increases in both Common Account values and income commission generated from increased client investment external to the Common Account.

Public Trustee's 6% fee from Common Account

The variance is due to fees raised on the increased earnings of Common Account.

Receipts from Common Account Surplus Interest

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Account Interest. As detailed in Note 9, the Public Trustee determined to pay a reduced amount into the Consolidated Account.

Administration expenses

The variance is due to increases in the cost of computer licensing and maintenance, these computer cost were met by budget increases. The unbudgeted use of contract staff to fill vacant positions whilst positions were being filled permanently, contributed to the variance.

Accommodation expenses

The Public Trustee experienced a rent increase during 2007 which was funded by a budget increase.

Corporate service expenses

The variance is due to an increase in corporate services costs allocated by the Department of the Attorney General.

Fees paid to the Consolidated Account

The variance is due to an increase in fees collected from both Estates and Trusts, resulting from increases in both Common Account values and income commission generated from increased client investment external to the Common Account.

Surplus Common Account Interest paid to Consolidated Account

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Account Interest. As detailed in Note 9, the Public Trustee determined to pay a reduced amount into the Consolidated Account.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

23. Estates and Trusts under administration

The following statement of assets held and/or liabilities incurred in a trustee capacity is prepared in accordance with Treasurer's Instruction 1103(15)(ii). It includes all assets realised and non-realised which are under the control and administration of the Public Trustee.

Statement of Estates and Trusts being administered as at 30 June 2007
NET TRUST ASSETS UNDER ADMINISTRATION WERE:

		2007	2006
	Note	\$	\$
ESTATES AND TRUSTS			
Deceased Estates		160,472,368	126,489,585
Direct Action		2,642,580	2,597,285
Entitled Trusts		289,748,821	247,080,728
Protected Management		194,838,317	143,424,444
Testamentary Trusts		58,054,440	52,461,667
Power of Attorney		26,838,707	27,790,257
Trusts		31,628,830	28,193,852
Safe-care		7,265,164	6,446,432
NET TRUST ASSETS		771,489,227	634,484,250

REPRESENTED BY:

INVESTMENTS AND LOANS

Investments in Common Account	24(h)	289,453,049	272,349,566
Bank deposits		42,280,920	34,966,759
Equities	23(i)	59,791,262	50,836,590
Unit Trusts	23(i)	124,597,456	94,867,956
Life Policies	23(ii)	1,158,094	1,353,252
Real Estate	23(iii)	247,682,442	172,332,719
Other Assets	23(iv)	17,099,150	16,005,894
Total Investment and Loan Assets		782,062,373	642,712,736
TOTAL TRUST ASSETS		782,062,373	642,712,736

Deduct

CURRENT LIABILITIES

Creditors		7,257,622	4,548,725
Loans		612,746	1,222,376
Mortgages – Deceased estates		797,148	879,264
Total Current Liabilities		8,667,516	6,650,365

NON CURRENT LIABILITIES

Mortgages – Trust estates		1,905,630	1,578,121
Total Non Current Liabilities		1,905,630	1,578,121
TOTAL TRUST LIABILITIES		10,573,146	8,228,486
NET TRUST ASSETS		771,489,227	634,484,250

Basis of Valuation(s):

(i) Equities and Unit Trusts

For deceased estates the valuation is at the date of death. In other matters, the valuation for equities is at 30 June 2007 and sourced from market publications. Valuation of unit trusts is recorded at cost.

(ii) Life Policies

Life policies have been valued on the basis of the surrender value supplied by relevant insurance companies.

(iii) Real Estate

Deceased estate valuations are conducted by registered valuers, with values effective at the date of death. In other matters, real estate is shown at last valuation, cost or estimated value. Where estimates are made, appropriate Public Trustee personnel assess the value at time of inspection.

It is not the policy of the Public Trustee to regularly value real estate since it is considered an unnecessary expense to impose on the client.

(iv) Other Assets

Deceased estates valuation is at the date of death. In other matters, valuation is either at the date the Public Trustee was appointed manager, administrator, new trustee or at the date of acquisition. Valuations are at cost or estimated disposal value.

For items of minor value (eg. personal effects, furniture and other chattels) the beneficiaries' estimates are usually accepted. For more valuable items such as jewellery and motor vehicles, valuations from a registered jeweller or use of the Red Book Guide, are adopted.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24. Public Trustee Common Account

The following financial statements of the Public Trustee Common Account are prepared in accordance with the Public Trustee Trust Statement No. 13.

24(a) PUBLIC TRUSTEE COMMON ACCOUNT
INCOME STATEMENT
For the year ended 30 June 2007

	Note	2007 \$	2006 \$
EXPENSES			
Doubtful Debts		3,457	2,243
Write Offs		-	58,379
Investment expenses		1,008,591	678,617
Public Trustee's fee		1,258,120	1,017,446
Interest paid to Estates and Trusts	24(e)	16,634,434	12,988,311
Interest paid to the Public Trustee		606,280	520,561
Total expenses before payments to Consolidated Account		19,510,882	15,265,557
Payments to the Consolidated Account (via Public Trustee)		1,063,676	903,227
Total expenses		20,574,558	16,168,784
INCOME			
Income on Investments		21,977,336	17,636,040
Doubtful Debts recovered		9,447	83,238
Increment from revaluation of investment		12,783,258	2,811,462
Total income		34,770,041	20,530,740
NET PROFIT	24(j)(ii)	14,195,483	4,361,956
SURPLUS FOR THE PERIOD		14,195,483	4,361,956

The Income Statement should be read in conjunction with the accompanying notes.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24(b) PUBLIC TRUSTEE COMMON ACCOUNT
BALANCE SHEET
As at 30 June 2007

	Note	2007	2006
		\$	\$
ASSETS			
Current Assets			
Cash at Bank	24(j)(i)	7,735,747	14,991,052
Cash Equivalent (Money Market)	24(j)(i)	295,000,000	265,000,000
Debtor		70,832	6,066
Advances to Estates	24(f)	-	59,163
Accrued Interest		3,496,141	2,451,404
Total Current Assets		306,302,720	282,507,685
Non-Current Assets			
Property – Building (at Fair Value)	2(b), 24(g)(ii)	25,300,000	12,220,000
Mortgage Loans (at Cost)	2(b), 24(g)(i)	7,863,900	11,586,850
Total Non-Current Assets		33,163,900	23,806,850
TOTAL ASSETS		339,466,620	306,314,535
LIABILITIES			
Current Liabilities			
Fees & Accrued Taxation		26,225	54,756
Creditors		95,093	20,499
Stamp Duty Recouped		300	552
Interest Received in Advance		-	21,600
Public Trustee Funds	13(a)	10,443,433	9,712,696
Accrued Interest due to Estates and Trusts		4,283,824	3,185,653
Total Current Liabilities		14,848,875	12,995,756
Non-Current Liabilities			
Estates & Trusts under Administration	2(c), 24(h)	289,453,049	272,349,566
TOTAL LIABILITIES		304,301,924	285,345,322
NET ASSETS		35,164,696	20,969,213
EQUITY			
Common Account Investment reserve	24(i)(i)	19,782,380	19,782,380
Retained earnings	24(i)(ii)	15,382,316	1,186,833
TOTAL EQUITY		35,164,696	20,969,213

The Balance Sheet should be read in conjunction with the accompanying notes.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24(c) PUBLIC TRUSTEE COMMON ACCOUNT
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2007

	Note	2007 \$	2006 \$
Balance of equity at start of period		20,969,213	16,607,257
RESERVES			
Common Account Investment reserve			
Balance at start of period		19,782,380	15,482,380
Transfers to reserves		-	4,300,000
Balance at end of period	24(i)(i)	19,782,380	19,782,380
RETAINED EARNINGS			
Balance at start of period		1,186,833	1,124,877
Surplus for the period		14,195,483	4,361,956
Transfer to reserves		-	(4,300,000)
Gain/(loss) recognised directly in equity		-	-
Balance at end of period	24(i)(ii)	15,382,316	1,186,833
Balance of equity at end of period		35,164,696	20,969,213
Total income & expenses for the period		14,195,483	4,361,956

The Statement of Changes in equity should be read in conjunction with the accompanying notes.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24(d) PUBLIC TRUSTEE COMMON ACCOUNT
CASH FLOW STATEMENT
For the year ended 30 June 2007

	Note	2007 Inflows (Outflows) \$	2006 Inflows (Outflows) \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Income on Investments		19,659,250	16,020,559
Doubtful Debts recovered		9,447	83,238
Payments			
Interest paid to Estates and Trusts		(16,634,434)	(12,988,311)
Interest paid to the Public Trustee		(606,280)	(520,561)
Investment expenses		(1,008,591)	(678,617)
Net Cash provided by operating activities	24(j)(ii)	<u>1,419,392</u>	<u>1,916,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturing mortgages		3,722,950	12,535,711
Payment for building improvements		(296,742)	(8,538)
Net cash provided by investing activities		<u>3,426,208</u>	<u>12,527,173</u>
CASH FLOWS FROM ESTATES, TRUSTS & PUBLIC TRUSTEE			
Surplus Common Account Interest paid to the Public Trustee		(1,063,676)	(903,227)
From Public Trustee's liability		730,737	288,351
From Estates and Trusts		18,232,034	28,967,469
Net cash provided /(used) by estates, trusts & Public Trustee		<u>17,899,095</u>	<u>28,352,593</u>
Net increase/(decrease) in cash and cash equivalents		22,744,695	42,796,074
Cash and cash equivalents at the beginning of period		279,991,052	237,194,978
Cash and cash equivalents at the end of period	24(j)(i)	<u>302,735,747</u>	<u>279,991,052</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Cash flows in respect of Investments, Estates and Trusts and Public Trustee equity have been reported on a net basis in accordance with AASB 107 Cash Flow Statements, Paragraph 22.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24(e) Interest Paid to Estates and Trusts

Interest is distributed to Estates and Trusts on 1 April and 1 October each year in accordance with Section 40(4) (b) of the *Public Trustee Act 1941*.

	2007 \$	2006 \$
Interest paid to Estates and Trusts	16,634,434	12,988,311

24(f) Advances to Estates

	2007 \$	2006 \$
Advances to Estates	-	59,163

24(g) Investments (Common Account)

	2007 \$	2006 \$
(i) At Cost:		
Mortgage Loans	7,863,900	11,586,850
	7,863,900	11,586,850
(ii) At fair value:		
Land and Building	25,300,000	12,220,000
	25,300,000	12,220,000
Total	33,163,900	23,806,850

Land and buildings were revalued in June 2007, in accordance with an independent valuation performed by Landgate, Western Australian Land Information Authority. The valuation was performed on the basis of current market values of the freehold interest in the Public Trust Building encumbered by the existing leases. The valuation was made in accordance with a regular policy of a revaluation being performed on a three-year basis, with an annual assessment by management – refer note 2(b)(ii).

Reconciliation of the carrying amount of property at the beginning and end of the current and previous financial year is:

	2007 \$	2006 \$
Carrying amount at beginning of year	12,220,000	9,400,000
Additions	296,742	8,538
Revaluation increment/(decrement)	12,783,258	2,811,462
Carrying amount at end of year	25,300,000	12,220,000

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24(h) Estates and Trusts under Administration

	2007	2006
	\$	\$
<i>Activity</i>		
Deceased Estates	42,764,561	42,267,150
Direct Action	2,605,781	2,520,887
Entitled Trusts	109,867,160	103,503,516
Protected Management	73,729,683	64,050,546
Testamentary Trusts	26,853,861	25,192,636
Power of Attorney	10,999,478	10,472,628
Trusts	15,367,361	17,895,770
Safe-care	7,265,164	6,446,433
Total estates and trusts under administration	289,453,049	272,349,566

The above amounts represent the fair value of estate and trust assets presently held in the Public Trustee Common Account.

24(i) Equity
(i) Reserves

	2007	2006
	\$	\$
Common Account Investment Reserve		
Opening balance	19,782,380	15,482,380
ADD Transfer to Reserves	-	4,300,000
Closing balance	19,782,380	19,782,380

The Common Account Investment Reserve is used to stabilise interest paid to estates, to meet losses on investments and maintain Common Account assets.

(ii) Retained Profits

	2007	2006
	\$	\$
Opening balance	1,186,833	1,124,877
Net profit	14,195,483	4,361,956
Transfer (to)/from reserves	-	(4,300,000)
Closing balance	15,382,316	1,186,833

24(j) Notes to the Cash Flow Statement

(i) Reconciliation of Cash

For the purpose of the Cash Flow Statement, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Income Statement as follows:

	2007	2006
	\$	\$
Cash	7,735,747	14,991,052
Cash Equivalents (Money Market)	295,000,000	265,000,000
Cash & Cash Equivalents	302,735,747	279,991,052

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(ii) Reconciliation of surplus to net cash flows provided by operating activities.

	2007	2006
	\$	\$
Surplus	14,195,483	4,361,956
Non-cash items:		
Payments to the Consolidated Account	1,063,676	903,227
Increment from revaluation of investment	(12,783,258)	(2,811,462)
Decrease /(Increase) in assets:		
Debtor	(64,766)	72,342
Accrued interest	(1,044,737)	(592,036)
(Decrease)/Increase in liabilities:		
Creditors	74,594	(17,719)
Interest received in advance	(21,600)	-
Net cash provided by operating activities	1,419,392	1,916,308

(iii) Non-cash Financing and Investing Activities

During the year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the Cash Flow Statement.

24(k) Financial Instruments

(i) Financial Risk Management Objectives and Policies

Financial instruments held by the Common Account are cash and cash equivalents, loans, receivables and payables. The Common Account has limited exposure to financial risks. The Common Account's overall risk management program focuses on managing the risks identified below.

Credit Risk

Government guarantees all financial assets of the Common Account and therefore no credit risk exists in respect of those amounts. In addition, insurance is taken out to cover the building and also professional indemnity insurance cover for staff involved with management of Common Account investments. Receivables balances are monitored on an ongoing basis with the result that the Common Account's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk

The Public Trustee has appropriate procedures to manage cash flows of the Common Account by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Cash flow interest rate risk

The Common Account's exposure to interest rate risk is limited to cash and cash equivalents, and mortgages. Mortgages have both a fixed and variable interest rate with short-term maturities less than 2 years.

PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(ii) Financial Instrument disclosures

Interest Rate Risk Exposure

The following table details the Common Account's exposure to interest rate risk as at the balance sheet date:

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturities						Non interest bearing	Total
			Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years		
2007	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash at Bank	5.97	7,736	-	-	-	-	-	-	-	7,736
Cash Equivalent (Money Market)	6.33	295,000	-	-	-	-	-	-	-	295,000
Debtor		-	-	-	-	-	-	-	71	71
Accrued Mortgage Fees		-	-	-	-	-	-	-	-	-
Advances to Estates		-	-	-	-	-	-	-	-	-
Accrued interest		-	-	-	-	-	-	-	3,496	3,496
Investments: Mortgages	8.61	4,897	2,967	-	-	-	-	-	-	7,864
Property		-	-	-	-	-	-	-	25,300	25,300
Total Financial Assets		307,633	2,967	-	-	-	-	-	28,867	339,467
Financial Liabilities										
Fees & Accrued Taxation		-	-	-	-	-	-	-	26	26
Creditors		-	-	-	-	-	-	-	95	95
Stamp Duty		-	-	-	-	-	-	-	1	1
Interest in Advance		-	-	-	-	-	-	-	-	-
Public Trustee Funds	6.53	10,443	-	-	-	-	-	-	-	10,443
Accrued Interest		-	-	-	-	-	-	-	4,284	4,284
Estates & Trusts										
Estates	3.00	3,504	-	-	-	-	-	-	-	3,504
Estates	3.25	26,172	-	-	-	-	-	-	-	26,172
Estates	3.50	13,088	-	-	-	-	-	-	-	13,088
Trusts & Other	6.15	33,609	-	-	-	-	-	-	-	33,609
Trusts & Other	6.75	144,550	-	-	-	-	-	-	-	144,550
Trusts & Other	7.15	68,530	-	-	-	-	-	-	-	68,530
Total Financial Liabilities		299,896	-	-	-	-	-	-	4,406	304,302
Net Financial Assets/(Liabilities)		7,737	2,967	-	-	-	-	-	24,461	35,165

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturities						Non interest bearing	Total
			Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years		
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash at Bank	5.51	14,991	-	-	-	-	-	-	-	14,991
Cash Equivalent (Money Market)	5.71	265,000	-	-	-	-	-	-	-	265,000
Debtor		-	-	-	-	-	-	-	6	6
Accrued Mortgage Fees		-	-	-	-	-	-	-	-	-
Advances to Estates		-	-	-	-	-	-	-	59	59
Accrued interest		-	-	-	-	-	-	-	2,451	2,451
Investments: Mortgages Property	8.19	10,120	1,117	350	-	-	-	-	-	11,587
		-	-	-	-	-	-	-	12,220	12,220
Total Financial Assets		290,111	1,117	350	-	-	-	-	14,736	306,314
Financial Liabilities										
Fees & Accrued Taxation		-	-	-	-	-	-	-	55	55
Creditors		-	-	-	-	-	-	-	21	21
Stamp Duty		-	-	-	-	-	-	-	1	1
Interest in Advance		-	-	-	-	-	-	-	21	21
Public Trustee Funds	5.91	9,713	-	-	-	-	-	-	-	9,713
Accrued Interest		-	-	-	-	-	-	-	3,186	3,186
Estates & Trusts										
Estates	3.00	3,279	-	-	-	-	-	-	-	3,279
Estates	3.25	23,744	-	-	-	-	-	-	-	23,744
Estates	3.50	15,244	-	-	-	-	-	-	-	15,244
Trusts & Other	4.80	32,992	-	-	-	-	-	-	-	32,992
Trusts & Other	5.40	137,421	-	-	-	-	-	-	-	137,421
Trusts & Other	5.80	59,668	-	-	-	-	-	-	-	59,668
Total Financial Liabilities		282,061	-	-	-	-	-	-	3,284	285,345
Net Financial Assets/(Liabilities)		8,050	1,117	350	-	-	-	-	11,452	20,969

Credit Risk Exposure

Government guarantees all financial assets of the Common Account and therefore no credit risk exists in respect of those amounts. In addition, insurance is taken out to cover the building and also professional indemnity insurance cover for staff involved with management of Common Account investments.

Fair Values

The carrying value of financial assets and liabilities recorded in the balance sheet are not materially different to their net fair values determined in accordance with accounting policies disclosed in the following Notes; 2(b), 2(h).

24(l) Explanatory Statement

Comparison of Actual Results with those of the Preceding Year

Details and reasons for significant variations between actual revenue and expenditure and the corresponding item of the preceding year are detailed below.

Significant variations are considered to be those greater than 10% and \$100,000.

	2007	2006	Variance
	\$	\$	\$
Income			
Income on Investments	21,977,336	17,636,040	4,341,296
Increment from revaluation of investment	12,783,258	2,811,462	9,971,796
Expenditure			
Investment expenses	1,008,591	678,617	(329,974)
Public Trustee's fee	1,258,120	1,017,446	(240,674)
Interest paid to Estates and Trusts	16,634,434	12,988,311	(3,646,123)
Payments to Consolidated Account (via Public Trustee)	1,063,676	903,227	(160,449)

Income on Investments

The variance is due to increased rates of return on the Common Account investments.

Increment from revaluation of investment

The variance is due to an increment on revaluation of Public Trust Building in June 2007 (refer notes 1(b) (iii) and 24 (g) (ii)).

Investment expenses

The increased investment expenses relates to the Common Account building. The Building is now fully tenanted and therefore expenses have increased. There is also a corresponding increase in income on the building

Public Trustee's fee

The variance is due to increased rates of return on the Common Account investments on which the Public Trustee collects a fee.

Interest distributed to Estates and Trusts

The variance is due to the distribution of increased Common Account returns to clients.

Payments to Consolidated Account (via Public Trustee)

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be surplus Common Account Interest. As detailed in Note 9, The Public Trustee determined to pay a reduced amount into the Consolidated Account (Section 40(4) (c) of Public Trustee Act 1941), and retain a higher portion as reserves and retained profit.

Key Performance Indicators

Certification of Key Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Public Trustee's performance, and fairly represent the performance of the Public Trustee for the financial year ended 30 June 2007.



John Skinner
Accountable Authority
12 September 2007

Detailed Information in Support of Key Performance Indicators

Outcome: Equitable access to trustee services for all Western Australians

Equitable access to trustee services for all Western Australians is a crucial element in maintaining an orderly community. Providing trustee services is the responsibility of the Public Trustee.

The Public Trustee is a Statutory Authority within the provisions of the *Financial Management Act 2006*. It provides a funds management and investment service through the operations of the Common Account - an at-call investment facility backed by the State – and acts as trustee or financial administrator pursuant to the orders of courts or tribunals. It also administers the estates of people who die with or without a will, in accordance with the terms of the will or the relevant law and under the authority of the Supreme Court.

The Public Trustee offers high quality, personalised trustee services to meet the needs of all sectors of the Western Australian community.

Key performance indicators have been selected to measure the Office's effectiveness and efficiency in fulfilling the duties of the *Public Trustee Act 1941*.

Key Service 1. Trustee Services

Service description

Trustee services include:

- Administering estates of people who die with or without a will (estate administration);
- Managing the financial affairs of people who are unable or unwilling to manage their financial affairs (trust management);
- Preparing wills and powers of attorney for people who wish to appoint the Public Trustee as their executor or donee (wills); and
- Examining the accounts of administration orders (this has been transferred to the Public Trustee from the Guardianship and Administration Board).

These services are available to all Western Australians irrespective of profitability or complexity.

Effectiveness

1.1 Extent to which trustee services meet the needs of clients

This indicator measures the level of client satisfaction with the quality of trustee services provided. In 2007 Patterson Market Research were engaged to conduct a telephone survey among a random sample of the Public Trustee client base, the sample client base consisted of:

- (a) Clients who are aged between 18 and 80 years;
- (b) Clients who have an active account in the 2007 financial year; and
- (c) Clients who are capable of making meaningful comment, that is, those who are known not to be suffering from dementia or in a comatose state, etc.

Based on the above definition, a random sample of 1,547 clients was generated and selected, representing a cross-section of clients who use trustee services.

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Extent to which trust management services meet the needs of customers	88%	75%	71%	80%	76%	76%	82% ¹	72% ²	80%

The survey covered 11 criteria of client satisfaction, including aspects of client service attributes and reliability. A total of 400 respondents were surveyed yielding a sampling precision of +/- 4.9% at 95% confidence interval.

¹Recalibration upwards of 3% (from 79%) by Patterson Market Research due to sampling and methodology anomalies.

²Lower results for dependability, accuracy and knowledge aspects of trust management services, all of which can be directly attributed to the abnormally higher rate of 26% staff turnover in the Trust Management area during the financial year.

PUBLIC TRUSTEE
KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2007

1.2 Number of estates relative to the number of adult (18 years and over) deaths in Western Australia

This indicator measures the Public Trustee's performance in the market to monitor its success in providing an estate administration service for all Western Australians.

The Public Trustee administers estates regardless of whether it is appointed executor or not. Some estates do not require formal administration but still require resources to arrange assets registered in the survivor's or beneficiary's name, e.g. joint assets and/or nominal bank accounts.

This indicator represents the number of estates/deaths reported as a percentage of the number of adult deaths in Western Australia.

1,631 estates were referred to the Public Trustee, this represents 14% of all estates of adults who died in 2007. They were referred either as executor of the estate or the beneficiaries of the estate seeking assistance. The Public Trustee aimed to reach a target of 14%.

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Number of estates relative to the number of adult (18 years and over) deaths in Western Australia	23%	19%	15%	18%	16%	16%	14%	14%	14%

	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Number of adult deaths in WA	10,301	10,749	11,074	11,175	10,929	11,606	11,718	N/A
Number of deceased estates referred	1,923	1,642	1,965	1,815	1,716	1,629	1,631	N/A

1.3 Extent to which the Public Trustee maintains a market share in drawing wills naming the Public Trustee as executor

The Public Trustee operates in a commercial environment offering services that can be provided by numerous professional service providers.

This indicator represents the number of people who died during the year who had a will prepared naming the Public Trustee as executor. It is shown as a percentage of the total number of adult deaths in Western Australia.

In 2007, the Public Trustee administered 1,411 estates that named the Public Trustee as executor. The Public Trustee's market share for this period was 12%.

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Extent to which Public Trustee maintains a market share in drawing Wills naming the Public Trustee as executor	20%	16%	13%	15%	14%	13%	12%	12%	12%

	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Number of adult deaths in WA	10,301	10,749	11,074	11,175	10,929	11,606	11,718	N/A
Number of estates in which the Public Trustee had prepared a Will	1,666	1,432	1,621	1,535	1,460	1,418	1,411	N/A

PUBLIC TRUSTEE
KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2007

1.4 Percentage of estates finalised within 12 months of being reported

This indicator provides a measure of success from a client's perspective, of the average time taken to administer an estate.

Issues such as life interests, taxation, family disputes and testator family maintenance actions contribute to the time taken to close an estate, which are outside the control of the Public Trustee.

The average time taken to complete an estate, if completed within twelve months, was 6.03 months, based on the date of final completion.

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Percent of estates finalised within 12 months of being reported									
Within 12 months	69%	76%	49%	54%	62%	67%	67%	67%	70%
Within 9 months	53%	62%	28%	40%	52%	56%	56%	55%	60%
Within 6 months	29%	42%	2%	22%	35%	41%	39%	37%	45%

Efficiency

1.5 Cost per trust managed

This indicator measures the cost of managing a trust, calculated by dividing the total cost of providing trust management services by the number of trusts under management.

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Cost per trust managed	\$881	\$988	\$1,030	\$946	\$1,012	\$1,122	\$1,169	\$1,332	\$1,168

Actual result is 14% higher than the target due to recurrent budget cost escalations and below target number of files.

	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Number of trusts managed	4,785	4,820	4,915	4,847	4,846	4,649	4,721	4,950

1.6 Cost per deceased estate administered and cost per will prepared

The deceased estate administration service comprises two main cost areas, which have been separated in this indicator to provide a clear indication of the costs involved.

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Cost per deceased estate administered	\$1,772	\$1,676	\$1,877	\$1,670	\$2,128	\$1,803	\$1,731	\$1,764	\$1,829

	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Number of deceased estates administered	3,227	3,023	3,183	2,635	2,941	3,095	3,150	2,900

PUBLIC TRUSTEE
KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2007

	2000	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Cost per will prepared	\$152	\$188	\$236	\$213	\$232	\$285	\$299	\$275	\$294

	2001	2002	2003	2004	2005	2006	Actual 2007	Target 2007
Number of wills prepared	4,849	4,043	4,188	4,063	3,832	3,497	3,669	4,100

1.7 Common Account Indicators

Effectiveness

Of critical importance to potential customers is the rate of interest paid on their funds. Our clients expect a reasonable return on their funds, and our effectiveness in achieving these objectives can be measured by a comparison of our rates with those offered by other investment institutions.

Common Account Earning Rate

The returns paid by the Public Trustee's Common Account to clients after deducting expenses, and those paid by comparable "at call" investment institutions are as follows:

As at 30 June	Public Trustee Deceased Estates*	Public Trustee Other Trusts*	Public Trustee Investment Agencies*	Bank Cash Management Accounts (\$10,000)	Bank Transaction accounts (\$5,000)	Cash Management Trust
	%	%	%	%	%	%
2001	3.50	3.50, 4.00 & 5.00	4.00 & 5.00	2.05	0.05	4.50
2002	3.25	3.75, 4.50 & 4.75	3.75, 4.50 & 4.75	1.90	0.00	3.65
2003	3.00	3.75, 4.50 & 4.75	3.75, 4.50 & 4.75	1.85	0.00	3.90
2004	3.00, 3.25 & 3.50	4.30, 5.30 & 5.70	4.30, 5.30 & 5.70	2.50	0.00	4.75
2005	3.00, 3.25 & 3.50	4.80, 5.40 & 5.80	4.80, 5.40 & 5.80	2.55	0.00	4.25
2006	3.00, 3.25 & 3.50	4.80, 5.40 & 5.80	4.80, 5.40 & 5.80	2.55	0.00	4.90
2007	3.00, 3.25 & 3.50	6.15, 6.75 & 7.15	6.15, 6.75 & 7.15	5.10**	0.00**	5.45**

(*Rates effective as at 30 June)

(**As published in the Reserve Bank Bulletin – July 2007 issue)

All funds invested in the Public Trustee's Common Account are "at call".

Public Trustee's Common Account Performance versus WA State Treasury and CMT Benchmark Earning Rates (On a net basis).

In order to generate sufficient income to enable an attractive rate of interest to be paid to clients, all monies deposited to the Common Account are invested in the open market. The principal aim of the service is to achieve an attractive earning rate that maximises the investment potential of the fund within acceptable prudential levels.

PUBLIC TRUSTEE
KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2007

A comparison of the performance with WA State Treasury's earning rate on the Public Bank Account and the earning rate of three leading cash management trusts (CMT) is as follows:

	1999	2000	2001	2002	2003	2004	2005	2006	2007
	%	%	%	%	%	%	%	%	%
Treasury Earning Rate	5.38	5.35	5.93	4.64	4.93	5.11	5.44	5.59	6.13
CMT Benchmark Rate	4.74	5.08	5.86	4.48	4.67	4.99	5.41	5.64	6.22
Public Trustee Common Account	6.61	6.07	6.55	5.46	5.49	5.63	5.91	5.91	6.53

In the twelve months to 30 June 2007, the Public Trustee Common Account achieved a net return of 6.53% on the investment of the funds comprising the Common Account. Average funds under management for the year to 30 June totalled \$320.9 million.

Efficiency

Common Account Investment Cost per Dollar Invested

The Public Trustee is responsible for the management and investment of the funds that comprise the Common Account, as well as funds invested in the financial market. At 30 June 2007 the average value of the Common Account for the year was \$320.9 million, with a further \$184.4 million invested in the financial market on behalf of individual clients.

The cost of managing these funds in 2007 was \$556,493* or 0.11% of the mean value of the funds under management.

Comparative cost for:

- 2006 was \$416,701* or 0.10%
- 2005 was \$398,414* or 0.10%
- 2004 was \$370,269* or 0.10%
- 2003 was \$420,186* or 0.13%
- 2002 was \$425,638* or 0.14%
- 2001 was \$407,896* or 0.15%
- 2000 was \$376,970* or 0.15%

(* Costs include expenses incurred by all officers involved in the management of the fund including on-costs such as rent and electricity as well as superannuation and payroll tax. On-costs are charged at 66% of direct salary).

Ministerial Directives

No Ministerial directives were received during the financial year.

Other Financial Disclosures

Pricing Policies of Services Provided

Under Treasurer's Instruction 903 section 13(i), the Public Trustee is required to advise of the policies underlying the pricing of its goods and services. The pricing policy adopted by the Public Trustee in setting fees and charges is contained in legislation under the *Public Trustee Act 1941* and in Regulations. Fees and charges are reviewed annually and requests for variations are referred to the Attorney General for his approval. The current fee structure will be reviewed under proposed legislation changes.

Capital Works

No capital works were undertaken during the financial year.

Employee and Industrial Relations

Employee Profile

The current FTE level in the Public Trustee is 139.4, compared with 130.6 in 2005/06 and represents an increase of 6.7%. The Public Trustee employed three Aboriginal employees as at 30 June 2007, making up 2.1% of the workforce.

Employee Profile for 2006/07

	Male		Female		Total
Professional	5.0	3.59%	10.4	7.46%	15.4
Clerical	67.0	48.06%	57.0	40.89%	124
Total	72.0	51.65%	67.4	48.35%	139.4

Employee Profile by Program 2006/07

	Male		Female		Total
Trustee Services	55.0	39.45%	42.4	30.42%	97.4
Business Services	5.0	3.59%	12.2	8.75%	17.2
Legal	4.0	2.87%	6.8	4.88%	10.8
Corporate Support	6.0	4.3%	5.0	3.59%	11.0
Administration	1.0	0.72%	2.0	1.43%	3.0
Total	71.0	50.93%	68.4	49.07%	139.4

Appointment Pools for the Public Trustee advertised during 2006/07

Position	Level	Date advertised	Number of applicants
Trust Manager	2	May 2007	37
Estate manager	2	June 2007	16

Industrial action

No industrial action was taken by Public Trustee employees in 2006/07.

Unions

Public Trustee employees are covered by the Community and Public Sector Union/Civil Service Association. A Joint Consultative Committee of management and union representatives meets every two months.

Occupational Safety and Health

An Occupational Safety and Health Committee with representatives from all parts of the organisation meets quarterly (or more often if required) to ensure compliance, and to help formulate and introduce policies, procedures and training for employees.

Some of the year's initiatives have been:

- development and implementation of a Critical Incident policy, procedures and register to ensure all incidents are recorded for appropriate action to be initiated;
- introduction of the first employer-funded Influenza Vaccination Program in which 39% of Public Trustee employees participated;
- contribution to the broader community through donations raised on Casual Dress Fridays for four charities - Australian Red Cross WA, Head Injuries Society of WA Inc, Motor Neurone Disease Association of WA and SpinalCure Australia.

In April 2007, an annual compliance audit was conducted and it was found that the Public Trustee was compliant with all standards.

Employee Assistance

An employee assistance program provides access to professional counselling for any personal or work related problems and is available to Public Trustee employees and their immediate families. In 2006/07, 10 employees (7.1 %) accessed the service, for an average of 2.5 sessions. The referral rate for the employee assistance program counselling was 2.85% less than that of 2005/06.

Workers' Compensation

The Public Trustee, whilst a statutory authority in its own right, is not a separate agency. Workers Compensation information is published in the Department of the Attorney General's Annual Report because RiskCover provides total statistics for the Department as a whole.



Governance Disclosures

Nil

Other Legal Requirements

Advertising expenditure

In compliance with 175ZE of the *Electoral Act 1907*, the Public Trustee is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

Advertising agencies	\$0
Market research (Patterson Market Research)	\$10,630
Polling	\$0
Direct mail	\$0
Media advertising	\$28,390
Marketforce	
DPS Publishing Pty Ltd	
West Australian Newspapers Ltd	
Rural Press	
Sensis	\$6,015
Exhibition fees (Rainmaker International)	\$2,950
TOTAL	\$47,985

Disability Access and Inclusion Plan Outcomes

In compliance with s29 of the *Disability Services Act 1993* and its amendment, the Public Trustee recognises its responsibilities under the Department of Attorney General's Disability Access and Inclusion Plan 2007-2011 by ensuring that clients with physical, intellectual, sensory or cognitive disabilities, their families and carers are provided with professional and appropriate services.

The Public Trustee continued to operate the Wills on Wheels service which enabled severely disabled or infirm clients to have a will prepared in their own home, nursing home or hospital. In the past financial year 333 people were assisted in this way and the service will be extended to include visits within a 50km radius of the CBD in 2007/08.

The Public Trustee continued to implement a training program to provide reception staff, trust and estate managers with the necessary skills to better understand and work with clients with disabilities, in particular, those with mental illness and degenerative cognitive skills.

Equal Employment Opportunity Outcomes

In compliance with S146 of the *Equal Opportunity Act 1984*, the Public Trustee is committed to the Department of Attorney General's Equity and Diversity Objectives 2006-2009, and the Equity and Diversity Improvement Plan 2006– 2009 which were developed, endorsed and submitted to the Office of Equal Employment Opportunity in November 2006.

Compliance with Public Sector Standards and Ethical Codes

Recruitment, Selection & Appointment Standard

In 2006/07 43 permanent and fixed-term vacancies of more than six months were advertised, including two appointment pools, which were covered by the Recruitment, Selection and Appointment Standard, and attracted 477 applicants.

The Public Trustee's approach of conducting information sessions about the nature of the work of trust and estate managers, as well as holding feedback sessions and providing candidates with individual results, has continued with applicants now gaining a better understanding of the work of the Public Trustee, its client base, the nature of the work undertaken at entry level and promotional positions to ensure a higher level of job satisfaction and employee retention.

Summary of Breach of Standards Claims

There was one Breach of Standards Claim lodged against the Public Trustee in 2006/07 and it was dismissed.

Compliance with Public Sector Code of Ethics

The public sector code of ethics is readily accessible to all employees through various mediums including, but not limited to, the intranet, notice boards and references in relevant policies and procedures. No reports of non-compliance with the WA Code of Ethics were received during 2006/07.

Compliance with Public Sector Code of Conduct

The Department of the Attorney General's code of conduct can be accessed by all Public Trustee employees through its intranet which provides a range of information, resources and examples of acceptable behaviour standards in the workplace.

A ten-member Public Trustee Anti-Bullying Task Force was set up in December 2006 to identify the extent of bullying within the workplace and to develop anti-bullying strategies after union claims of widespread bullying. It confirmed bullying had taken place, but identified there was considerable confusion as to what constituted bullying. It agreed to develop strategies which would define inappropriate behaviours and help to prevent and overcome bullying.

Seven anti-bullying strategies were devised and implemented, and the details incorporated in a Public Trustee Conflict Management Resource Kit. One hundred and seventeen (117) Public Trustee employees attended a half-day Equal Opportunity Commission's Workplace Culture, Harassment and Bullying course, designed to assist in understanding rights and obligations under State and federal legislation in respect of harassment and bullying.

Twenty seven managerial and supervisory employees also attended a one-day Grievance Resolution training course to assist in identifying, dealing with, and resolving grievances, harassment and bullying at the earliest stages.

All new employees will receive training in Workplace Culture, Harassment and Bullying, and refresher training courses will be conducted every two years.

All Public Trustee employees were issued with a Conflict Management Resource Kit which includes workplace charters, reporting forms and departmental policies and procedures.

A follow-up survey will be conducted in October 2007 to review the effectiveness of the anti-bullying strategies.

Recordkeeping Plans

Under s19 of the *State Records Act 2000*, the Public Trustee's Recordkeeping Plan (RKP) was approved in May 2007 by the State Records Commission.

The plan relates to the retention and disposal schedule applicable to Public Trustee records and covers client files (seven years), Part A sub files (20 years) and Wills (99 years).

The efficiency and effectiveness of the Public Trustee's Recordkeeping Plan was evaluated in consultation within key stakeholders within the organisation prior to approval by the Public Trustee Corporate Executive, the Department of the Attorney General and the State Records Commission.

Relevant employees and all recordkeeping staff within the Public Trustee's Business Support Section received on-the-job training, and training and support provided by the Department of the Attorney General.

The efficiency and effectiveness of the recordkeeping training program was reviewed in the final quarter of 2006/07 and will be reviewed annually.

The Public Trustee's induction program includes employee roles and responsibilities for complying with the recordkeeping plan and policy and procedures are included in the Public Trustee Manual.

A once-off project at a cost of \$20,000, commenced in June 2007 and due for completion in August 2007 oversaw the destruction of records in off-site storage which had been in storage for 14 years.



PUBLIC TRUSTEE
OTHER LEGAL REQUIREMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Annual Estimates

PUBLIC TRUSTEE
INCOME STATEMENT
For the year ended 30 June 2008

	ESTIMATES 2008 \$	ACTUAL 2007 \$
COST OF SERVICES		
EXPENSES		
Write offs	20,000	39,065
Other expenses	-	-
Employee benefits expense	10,329,800	8,912,277
Computer services	26,400	140,852
Administration expenses	720,600	2,310,283
Accommodation expenses	747,340	826,268
Corporate service expenses	1,286,600	1,246,747
Total expenses before payments to Consolidated Account	13,130,740	13,475,492
 Fees paid to the Consolidated Account	 8,200,000	 8,924,342
Surplus Common Account Interest paid to Consolidated Account	1,738,000	1,063,676
Total cost of services	23,068,740	23,463,510
 INCOME		
Fees raised from Estates and Trusts	6,865,000	7,666,222
Public Trustee 6% fee from Common Account	1,335,000	1,258,120
Receipts from Common Account Surplus Interest	638,200	1,063,676
Interest revenue	1,738,000	606,280
Other revenue	18,000	13,700
Total Income other than income from State Government	10,594,200	10,607,998
 Net Cost of Service before Income from State Government	 (12,474,540)	 (12,855,512)
 INCOME FROM STATE GOVERNMENT		
Liabilities assumed by the Treasurer	392,000	416,366
Resources received free of charge from the Department of the Attorney General	12,718,740	13,020,061
Total income from State Government	13,110,740	13,436,427
 SURPLUS FOR THE PERIOD	 636,200	 580,915

PUBLIC TRUSTEE
OTHER LEGAL REQUIREMENTS
FOR THE YEAR ENDED 30 JUNE 2007

PUBLIC TRUSTEE
BALANCE SHEET
As at 30 June 2008

	ESTIMATES 2008 \$	ACTUAL 2007 \$
ASSETS		
Current Assets		
Cash – Investment in Common Account	10,996,150	10,443,433
Total Current Assets	10,996,150	10,443,433
TOTAL ASSETS	10,996,150	10,443,433
LIABILITIES		
Current Liabilities		
Accrued fees payable to the Consolidated Account	200,000	374,700
Tax liabilities	300,000	208,784
Total Current Liabilities	500,000	583,484
TOTAL LIABILITIES	500,000	583,484
NET ASSETS	10,496,150	9,859,949
EQUITY		
Indemnity reserve	4,050,318	3,857,446
Business Development reserve	3,230,000	3,230,000
Superannuation reserve	2,450,592	2,450,592
Retained Earnings	765,239	321,911
TOTAL EQUITY	10,496,150	9,859,949

Government Policy Requirements

Corruption Prevention

The Public Trustee has taken the following measures to reduce corruption and misconduct by employees:

- The Public Trustee Fraud Control Plan which represents the commitment of the Public Trustee to the identification, management and prevention of misconduct, corruption and fraud has been in place since 2004 and was reviewed in June 2007.
- The Public Trustee provided ethics training to all employees in high risk areas. Twenty five employees participated in a two-hour Dealing with Conflict of Interest workshop conducted by the Corruption and Crime Commission, aimed at providing the skills necessary to identify and manage potential conflicts of interest between public duty and personal lives, and explored the individual and organisational responsibilities to deal with the conflict.
- A Corporate Governance Review was also completed in June 2007 and found that the Public Trustee's strengths lay in its adherence to delegations, the Corporate Executive meeting process, and staff communication mechanisms of frequent all-staff e-bulletins, quarterly all-of-staff briefings and regular team meetings. Suggestions for improvement, such as developing terms of reference and roles for all management committees, will be implemented in 2007/08.

Substantive Equality

The Public Trustee is committed to the Government's Policy Framework for Substantive Equality to achieve equitable outcomes with regard to service access and delivery to Aboriginal and ethnic minority groups. It follows the Department of the Attorney General's Substantive Equality Policy and implementation plan which was endorsed in August 2006.

During 2006/07, the Public Trustee's Estate Management section was confirmed as the host site for the implementation of the Department's Substantive Equality Plan in 2007/2008. A Needs and Impact Assessment process is currently underway.

Sustainability

The Public Trustee, whilst a statutory authority in its own right, is not a separate agency and does not have its own Sustainability Action Plan but is part of and follows the overall Department of the Attorney General's Plan which is reproduced below.

The Department of the Attorney General has a long-term commitment to delivering quality, coordinated and accessible justice services. Its goals are aligned to the principles of sustainability, as detailed in the WA Government Sustainability Code of Practice, to generate working solutions that deliver the best social, economic and environmental outcomes. The Department's Sustainability Action Plan provides practical guidelines for how the Department can apply the principles to its work. The plan sets out recommended action, ensuring the Department is mindful of future demands and has methods in place to meet those challenges.

During 2006/07 the following initiative was undertaken by the Public Trustee in line with the Department's Sustainability Action Plan.

A total of 30 Public Trustee employees attended a one-day Cross-Cultural Awareness/Consciousness Workshop conducted by Kooya Consultancy, which covered communications in the Aboriginal culture, Aboriginal diversity and identity, past policies and practices, and case studies relevant to the Public Trustee. By improving understanding of Aboriginal culture, the Public Trustee aims to provide a more effective service to Aboriginal clients.

Appendix One 2007-2011 Strategic Framework

Our VALUES

Excellent Service

Our clients have varied service needs. We strive to achieve and maintain credible and professional services to diverse client groups through effective communication and by making them relevant, responsive, accessible, accurate and fair.

Integrity & Accountability

We are open, honest, impartial and ethical in our communications and decisions. We take responsibility for our behaviours, which are governed by the legal system, agreed standards and codes.

Equality

We respect diversity and know that we sometimes have to treat our staff, the community and client groups differently in order to reach fair outcomes.

Our people

Our people take pride in their work and the value they contribute to the organisation. We recognise the knowledge and skills of our people and support their continuous learning and development.

Professional Autonomy

We respect the differing professional attributes that are developed and nurtured in our business areas and the rights of our people to provide objective, frank and fearless advice to their clients and the community.

Our VISION

To be the trustee of choice for all Western Australians

Our ROLE

To provide quality trustee and asset management services

Corporate OBJECTIVES

1. Developing our Business

We aim to achieve:

- Introduction of a contemporary business model to reflect other Australian businesses in our market sector.
- Development of new services and investment funds.
- Increased profile and market share.
- Capacity to become self-funding

2. Developing our staff

We aim to achieve:

- Staff who are fully trained and motivated.
- Mentoring and support for staff.
- The preparedness of staff for higher positions.
- A working environment that fosters staff satisfaction.
- A culture of continual improvement and innovation.

3. Customer service delivery

We aim to achieve:

- Quality and timely provision of service that exceeds client expectations.
- Quality relationships and empathy with clients.
- Delivery of a package of flexible services to meet individual client needs.
- Increased awareness by our clients of our services to meet their needs.

4. Investment performance

We aim to achieve:

- Provision of a range of investment opportunities to meet individual client needs.
- Achievement of a rate of return above benchmark.
- A reputation as a leader in investment management within our market niche.
- A continued high level of trust, integrity and reliability in the marketplace.
- Increased market share.
- Generation of income and reserves to be self-funding.

5. Governance and corporate support

We aim to achieve:

- Sound management practices.
- Effective corporate support relationships with the Department of the Attorney General.
- Management of risk and prevention of fraud.
- An Annual Agreement that provides for the required use of a reserve fund.
- An HR strategy, IT environment and legal services that effectively support the business.

December 2006

Appendix Two Case studies

Case Study for Wills

Mrs S made a Will with a reputable firm and named her son as the Executor. This 15-page Will included the creation of discretionary testamentary trusts which she did not understand or want.

When Mrs S showed the Will to her son, he told her that he did not understand the Will nor did he wish to be the Executor. She then phoned the Public Trustee and made an appointment to make a new Will.

Mrs S saw a Wills Officer and advised she wanted to leave all her assets to her three children equally and that if any of them died before her, then their share in her estate would pass to their children. The Wills Officer advised her that the Will could be prepared while she waited.

Mrs S showed the Wills Officer her existing Will which cost her almost \$2,000 and took more than three months to be prepare. The Wills Officer read the existing Will and explained the advantages of having a discretionary testamentary trust.

However Mrs S was adamant in her wish to have the simple Will that had been discussed, and not the complicated Will in existence. Mrs S left the office 90 minutes after her arrival, satisfied with her new Will that she understood. The Will was later signed and witnessed, and there was no fee for its preparation.

Mrs S was also very pleased that by naming the Public Trustee as an independent Executor she had spared her children the difficulty of administering her estate when they would be in mourning.

Case Study for Wills on Wheels

Several years ago Mr J prepared a new Will which excluded his son after some heated arguments resulted in an estrangement between the two. This year he was advised he needed an urgent operation which would take place within a few days.

Mr J knew the operation was risky but unfortunately it was necessary. He then found himself making several arrangements and one of them was to contact his son to try and sort out their differences.

Mr J managed to reach his son and their lengthy discussion created an understanding of each other's position and reconciliation. He was very happy that he had talked with his son but deeply now regretted changing his Will to exclude that son.

Mr J had to attend hospital the next day but could not get any sleep that night as he worried about his Will. He decided he wanted to make a new Will but there was no time.

Mr J phoned a friend who suggested contacting the Public Trustee and he did so as soon as he was settled in hospital. He explained the situation to the Wills Manager who arranged for a Wills Officer to visit the hospital and talk to him about his Will.

The Wills Officer prepared a sound Will for Mr J on his portable computer, printed off two copies, and arranged for a Doctor to act as the second witness. That night Mr J had a good night's sleep knowing that he had made amends for his previous actions - he had managed to make a new Will prior to his operation in the morning.

Case Study for Estate Management

Mrs K died in September 2002 and left a private Will which appointed a niece and nephew in England as her executors. Her estate consisted of \$19,000 held in the Public Trustee Common Account as she had been a Represented Person.

Mrs K's Will had been drawn up by a reputable firm in Perth who declined to act for the appointed executors due to the small size of the estate, and posted the original Will to them in England. From the date of death until September 2006, the appointed executors were only ever aware of the monies held in the Public Trustee's Common Account and some small expenses.

In September 2006 the matter was referred to Estate Management who agreed to act for the executors at their request. In the process of administering the estate, the Public Trustee:

- found additional assets of \$55,000 in an unclaimed bank account;
- explained the process of obtaining probate, the legal requirements to administer the estate and the need to finalise income tax returns to date of death and trustee tax returns until distribution;
- put the executors' minds at ease in regards to the affordability of fees charged; and
- finalised what had been a very lengthy administration of their aunt's estate.

Both the niece and nephew were very appreciative of the results and apologetic for their initial impatience once they gained an understanding of what was required.

Case Study for Legal

The Public Trustee was the appointed executor and trustee of the Will and estate of the late Mr BS who had no children. The beneficiaries were two of his siblings (there were six in the family).

In administering his estate, the Public Trustee found that Mr BS had not received his full entitlement as one of three beneficiaries of the estate of his late brother Mr NS who had died nine months earlier.

The Public Trustee's senior legal officer found that Mrs G, the administrator of Mr NS's estate (another sibling who was not named in either Will), had withheld approximately \$65,000 of Mr BS's share of the estate, claiming that he had "given" \$10,000 to each of his six nephews and nieces.

The three siblings who were not named in either Will were adamant that Mr BS had understood the ramifications of giving away the funds to their children and had readily agreed to this action.

However there was no documentation that would support the gifts and the Public Trustee presented a very strong legal case for returning the money to Mr BS's estate.

After a number of letters to Mrs G initially and subsequently to her lawyers, followed by lengthy discussions of the relevant law over the phone, Mrs G agreed to reimburse the estate \$65,000.

Both beneficiaries of Mr BS's estate were delighted that the Public Trustee's experienced and dedicated staff were able to avoid costly and lengthy litigation while obtaining their legal and just entitlements.

Case Study for Trust Management

A US citizen Mr M passed away suddenly late last year and his wife Mrs M was admitted to Royal Perth Hospital as a result of his death and her inability to cope with her worsening dementia.

The Public Trustee was appointed Mrs M's plenary administrator just one week before Christmas and needed to act very quickly to manage her financial affairs, and secure and rationalise her assets so alternative long-term care could be paid for.

The Public Trustee informally administered Mr M's estate free of charge and without the need for probate, saving Mrs M as sole beneficiary, a large amount of money.

It became apparent that Mrs M would be unable to return to the matrimonial home and needed to move to high level residential care for which an accommodation bond was payable.

Within three weeks the Public Trustee had paid the funeral expenses from the Common Account, organised survivorship on the joint bank account and collected the majority of the proceeds, including US pensions.

The Public Trustee also transferred Mr M's motor vehicle into Mrs M's name and auctioned it to realise its worth. The Public Trustee then had the jointly-owned house transferred via survivorship and valued, appraised and sold.

The accommodation bond which was accruing daily interest was paid within just six weeks of the Public Trustee being appointed administrator.

The contents of the matrimonial home were also removed by the Public Trustee's contractor, with some being taken to the client in her new residential care facility, some being sent to storage for the beneficiaries under Mrs M's will, and the remainder being auctioned with the consent of all parties.

All parties responsible for Mrs M's health and well-being were impressed with the speed and ease at which the Public Trustee has sorted out Mrs M's financial affairs and provided financial security for her at her most vulnerable moment.