te manawa
TE PAPAIOEA PALMERSTON NORTH

Te Manawa Museums Trust

Statement of Intent (Financials)
For the years ended 30 June 2021, 2022 & 2023

Contents

Budget Assumptions and Comments:

Revenue

1. **Palmerston North City Council (PNCC) Funding:**

   PNCC Operating Grant

   2020/21: $3,231,908 (2019/20 plus 1.0%)
   2021/22: $3,264,227 (2020/21 plus 1.0%)
   2022/23: $3,296,869 (2021/22 plus 1.0%)

2. **Interest Revenue:**

   Interest Income has been based on average bank balances remaining between $1,064k and $1,191k (the approximate required level to preserve Te Manawa tagged reserves) with weighted average bank interest rates forecast at 1.0%.

3. **Other Operating Revenue:**

   Other Operating Revenue is expected to increase from the 2019/20 budget, with increased targets for fundraising and sponsorship.

4. **Net Collection Movements**
   The level of donated collection assets is maintained level from prior years. ($25,000).

   The prospective financial statements do not provide for a forecast net movement in the market value of collection, due to data not being readily available for assumptions regarding the future market value of collections assets. Revaluation of collection assets is a non-cash item. The next revaluation of Art Collection will take place during 2020/21 financial year and the Heritage Collection revaluation took877103 place at the end of 2019/20 financial year.

Expenditure

5. **Payroll:**

   The Payroll budget for all years incorporates requirements of the remuneration system adopted by Te Manawa.

6. **Operating Expenditure:**

   Operating costs have been budgeted for the next three years based on current contractual commitments, as well as anticipated maintenance costs (i.e. cleaning, repairs and maintenance, security and administrative costs).

7. **Occupancy Costs:**

   Te Manawa has received notice of some suppliers' intention to increase costs. An inflation adjustment of 2.0% has been applied across most expense categories.

8. **PNCC Leases and Service Level Agreements:**

   It has been assumed that there will be no increase in charges from PNCC in relation to service level agreements - IT, vehicles and phones.

9. **Depreciation:**

The forecast depreciation for next financial years is based on the planned plant and equipment additions, the upgrade of the semi-permanent exhibitions (Te Awa and Kids TM).

10. **Operating Surplus/(Deficit) after Collection Movements:**

A net surplus has been budgeted for each of the three years covered by the financial statements 2020/21 ($2.9k) 2021/22 ($3.6k) and 2022/23($4.9k)

Prudent management of operating expenditure will be required to achieve the budgeted results. Revenue generation opportunities must be sought to ensure that operating cash surpluses are produced going forward.

STATEMENT OF FINANCIAL POSITION:

11. **Cash & Short-Term deposits:**

Cash & Cash Equivalents (including term deposits with a maturity of up to 3 months) are budgeted to remain relatively consistent at between $1,064 and $1,191k. This is enough to meet the Trust's current budgeted obligations and commitments.

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12. **STATEMENT OF CASHFLOWS:**

Forecast net cash flows from operating activities are enough to cover the planned capital expenditure for the three financial years. financial year. During the.

13. **STATEMENT OF CASH BALANCES & RESERVES:**

Careful managing of resources will be required to maintain positive untagged reserves over next years, in order to both meet our operational costs and gradually increase our semi-permanent and touring exhibition capabilities. There is also an increased reliance on third party revenue to meet the forecast level of operating costs and allow for the strategic reserves to be built up.

The tables below indicate the way Te Manawa intends to gradually build up its strategic reserves within the constraint of maintaining positive untagged reserves.

Endowment Fund Forecast

Endowment Fund	Balance 1/7/19	Forecast at 30/06/19	Budget transfers in/(out)	2019/20 Budget	Budget transfers in/(out)	2020/21 Budget	Budget transfers in/(out)	2021/22 Budget
Clevely Fund	10,874	10,874	-	10,874	-	10,874	-	10,874
Total Endowment Funds	10,874	10,874	-	10,874	-	10,874	-	10,874

Specific Reserves	Balance 1/7/19	Actual at 30/06/20	Budget transfers in/(out)	2019/20 Budget	Budget transfers in/(out)	Budget transfers in/(out)	2021/22 Budget
Collection Development	20,840	**16,362**		**16,362**	-	-	**16,362**
Historical Building Maintenance	22,081	**22,081**	-	**22,081**	-	-	**22,081**
Semi-Permanent Exhibition Development Reserve	234,814	**299,674**		**299,674**	-		**299,674**
Total Specific Reserves	**277,735**	**338,117**	-	**338,117**	-	-	**338,117**

The Semi-permanent exhibition reserve is designed for the purpose of securing funding tor future semi-permanent exhibition refresh and/or internally developed and built Te Manawa touring shows.

Te Manawa Museums Trust

Prospective Statement of Revenue and Expenses

For the Three Years Ended 30 June 2020, 2021 & 2022

	Notes	Actual 2018/19 $	Budget 2019/20 $	*Actual 2019/20* $	Budget 2020/21 $	Budget 2021/22 $	Budget 2022/23 $
Revenue							
PNCC Operational Grant	1	3,131,026	3,199,909	3,199,909	3,231,908	3,264,227	3,296,869
MDC Grant		20,360	20,000	20,000	20,000	20,000	20,000
Interest Received	2	13,892	6,236	15,486	14,000	7,930	7,858
Fundraising & Sponsorship	3	63,167	207,075	29,352	250,000	265,000	165,000
Other Revenue	4	352,757	418,122	272,222	290,154	415,656	209,423
Total Revenue		**3,581,201**	**3,851,342**	**3,536,969**	**3,806,062**	**3,972,813**	**3,699,150**
Expenditure							
Personnel Costs	6	2,107,405	2,230,680	2,017,313	2,308,352	2,303,977	2,331,065
Museum Activities	7	990,296	640,004	652,145	861,527	1,034,538	735,093
Occupancy Costs	8	242,267	277,846	276,362	281,943	289,192	281,319
PNCC Leases & SLA's	9	81,738	81,738	81,738	81,738	81,738	81,738
Spending from Fundraising	3	10,013	269,045	-	-	-	-
Depreciation/Amortisation	10	267,885	267,885	258,924	284,560	275,000	280,000
Assets Written Off		-	-	616	-	-	-
Total Operating Expenditure		**3,699,604**	**3,767,199**	**3,287,098**	**3,818,120**	**3,984,445**	**3,709,215**
Operating Surplus/(Deficit) Before Collection Movements	11	**(118,402)**	**84,143**	**249,872**	**(12,058)**	**(11,632)**	**(10,065)**
Collection Movement Income							
Custodial Assets		-	5,000	-	-	-	-
Donated Assets		74,426	20,000	28,419	15,000	15,000	15,000
Collection Movement Expense							
Custodial Assets Returned		-	-	-	-	-	-
Collection Assets Deaccessioned		115	-	184	-	-	-
Net Collection Movements	5	**74,426**	**25,000**	**28,235**	**15,000**	**15,000**	**15,000**
Net Surplus/(Deficit)		**(43,977)**	**109,143**	**278,107**	**2,942**	**3,368**	**4,935**
Other Comprehensive Revenue and Expenses		-	-	-	**-**	-	-
Total Comprehensive Revenue and Expense		**(43,977)**	**109,143**	**278,107**	**2,942**	**3,368**	**4,935**

The accompanying notes and accounting policies form part of the prospective financial statements.

Te Manawa Museums Trust

Prospective Statement of Financial Position

As at 30 June 2020, 2021 & 2022

	Notes	Actual 2018/19 $	*Budget 2019/20 $*	*Actual 2019/20 $*	Budget 2020/21 $	Budget 2021/22 $	Budget 2022/23 $
Assets							
Current Assets							
Cash & Cash Equivalents	**12**	582,450	411,151	513,550	156,105	513,315	796,300
Short Term Deposits		150,000	282,988	794,858	908,858	624,988	452,846
Stock of Merchandise		50,070	45,000	51,475	45,000	45,000	45,000
Receivables		12,004	50,000	18,634	50,000	50,000	50,000
Interest Receivable		2,727	1,600	2,022	1,600	1,600	1,600
Prepayments		63,767	57,000	-	57,000	57,000	57,000
Total Current Assets		861,018	847,739	1,380,539	1,218,563	1,291,903	1,402,746
Fixed Assets							
Information Technology		24,170	75,021	37,956	75,066	79,874	86,082
Property Plant & Equipment							-
Exhibitions		370,247	305,151	284,028	190,728	180,774	105,470
Furniture & Fittings		80,755	78,750	62,164	58,678	64,704	65,172
Leasehold Improvements		88,943	67,136	67,138	45,638	36,542	30,422
Plant & Equipment		375,903	364,421	320,695	308,673	225,376	137,531
Collection Assets (Owned)		8,276,844	8,323,404	8,334,712	8,374,712	8,379,330	8,444,330
Collection Assets (Custodial)		8,265,211	8,275,211	8,265,209	8,265,209	8,265,209	8,265,209
Work in Progress (Te Rangi Whenua)		24,515	30,000	61,809	30,000	30,000	30,000
Total Fixed Assets		17,506,588	17,519,094	17,433,711	17,348,705	17,261,810	17,164,217
Other Non-Current Assets							
Intangible Assets - Software		15,777	27,752	12,712	20,112	35,795	27,479
Total Non-Current Assets	**13**	17,522,365	17,546,846	17,446,423	17,368,817	17,297,605	17,191,696
Total Assets		**18,383,383**	**18,394,585**	**18,826,962**	**18,587,381**	**18,589,508**	**18,594,443**
Current Liabilities							
Payables Under Exchange Transactions		235,736	160,000	284,625	160,000	160,000	160,000
Income Received in Advance)		35,873	30,000	82,858	30,000	30,000	30,000
Provisions			-	-	-	-	-
Employee Benefits		199,140	195,619	280,515	201,860	195,619	195,619
Interest Payable		-	-	-	-	-	-
GST Payable (Receivable)		56,430	55,000	46,336	55,000	55,000	55,000
Current Portion of Term Liabilities		-	-	-	-	-	-
Total Current Liabilities		527,179	440,619	694,334	446,860	440,619	440,619
Non-Current Liabilities							
Employee Benefits		5,144	3,296	3,463	3,266	3,266	3,266
Total Non-Current Liabilities		5,144	3,296	3,463	3,266	3,266	3,266
Total Liabilities		**532,323**	**443,915**	**697,797**	**450,126**	**443,885**	**443,885**
Equity							
Trust Equity		10,533,352	10,544,165	10,428,878	10,712,132	10,720,074	10,723,442
Retained Surplus Current Year		(44,092)	109,144	278,107	2,942	3,368	4,935
Asset Revaluation Reserve		7,073,192	7,073,191	7,073,190	7,073,190	7,073,190	7,073,190
Specific Reserves	**15**	277,735	213,296	338,117	338,117	338,117	338,117
Endowment Funds	**15**	10,873	10,874	10,874	10,874	10,874	10,874
Total Trust Funds		**17,851,060**	**17,950,670**	**18,129,166**	**18,137,255**	**18,145,623**	**18,150,558**
Total Liabilities and Trust Funds		**18,383,383**	**18,394,585**	**18,826,962**	**18,587,381**	**18,589,508**	**18,594,443**

Te Manawa Museums Trust

Prospective Statement of Cash Flows

For the Three Years Ended 30 June 2020, 2021 & 2022

Notes	Actual	Budget	Forecast	Budget	Budget	Budget
	2018/19	**2019/20**	***2019/20***	**2020/21**	**2021/22**	**2022/23**
	$	**$**	**$**	**$**	**$**	**$**
			as Dec 2018			
Cash Flows from Operating Activities						
Cash was provided from:						
PNCC Grants	3,063,626	3,199,909	3,199,909	3,231,908	3,264,227	3,296,869
Fundraising Activities	63,167	207,075	29,352	250,000	265,000	165,000
Other Revenue	621,315	582,150	331,172	228,263	435,656	229,423
Interest	18,009	6,236	16,191	14,000	7,930	7,858
	3,766,117	3,995,370	3,576,625	3,724,171	3,972,813	3,699,150
Cash was disbursed to:						
Payroll	2,246,472	2,235,019	2,091,787	2,308,352	2,303,977	2,331,065
Suppliers	1,347,743	1,507,856	1,080,575	1,402,691	1,405,467	1,098,150
Interest	-	-	-	-	-	-
GST	-7,651	-	10,094	-	-	-
Net Change in working Capital	-	(96,860)	-	-		
	3,586,564	3,646,015	3,182,456	3,711,043	3,709,445	3,429,215
Net Cash Flows from Operating Activities*	179,553	**349,355**	**394,168**	**13,128**	**263,368**	**269,935**
Cash Flows from Investing Activities						
Cash was provided from:						
Sale of Assets	-	-	-	-	-	-
Reduction in reserves	-	-	60,382	-		
Cash was disbursed to						
Change in short Term Investments	12,039	8,725	644,858	600,000	(500,000)	(400,000)
Purchase of Intangible Assets - Software	1,771	20,000	5,000	36,250	24,000	25,000
Purchase of Leasehold Improvements			11,443	30,000	16,000	9,000
Purchase of Information Technology	347,723	28,000	33,688	56,770	25,600	27,000
Purchase of Exhibitions		136,141	43,215	185,000	250,000	250,000
Purchase of Furniture & Fittings		2,000	14,180	10,000	35,558	20,950
Purchase of Plant & Equipment		108,932	117,028	168,910	30,000	5,000
Purchase of Collection Assets	55,683	25,000	25,000	78,500	25,000	50,000
Work in Progress		-	30,000		-	-
	417,216	328,798	924,411	1,165,430	(93,842)	(13,050)
Net Cash Flows from Investing Activities	(417,216)	**(328,798)**	**(924,411)**	**(1,165,430)**	**93,842**	**13,050**
Net Increase/(Decrease) in Cash Held **14**	(237,663)	20,557	(530,243)	(1,152,302)	357,210	282,985
Opening Cash Balances	591,347	316,684	582,450	1,308,407	156,105	513,315
Closing Total Cash Balances	353,684	**337,241**	**52,207**	**156,105**	**513,315**	**796,300**

The accompanying notes and accounting policies form part of the prospective financial statements

Notes to the Prospective Financial Statements

1 Statement of Accounting Policies

REPORTING ENTITY

Te Manawa Museums Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Palmerston North City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint more than 50% of the Board of Trustees.

The Trust was incorporated on 20 August 1999, from that date, the Trust assumed responsibility for art works and heritage assets transferred to its care but held on behalf of others. From 1 July 2000 the Trust commenced leasing the premises and managing the institution under agreements entered into with the Palmerston North City Council. The principal place of business is 326-336 Main Street, Palmerston North.

The primary objective of the Trust is to provide interactive experience in art, science and history through acquiring, conserving, researching, developing, communicating and exhibiting material evidence of people and their environment, rather than making a commercial return. Accordingly, the Trust has designated itself as a public sector public benefit entity for the purposes of Public Benefit Entity Accounting Standards (PBE Standards).

BASIS OF PREPARATION

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the periods.

Statement of Compliance

The prospective financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Trust qualifies as a Tier 2 Public Sector PBE reporting entity as it is not publicly accountable and as for the two most recent reporting periods it has had between $2m and $30m operating expenditure.

The reporting period for these prospective financial statements is the year ending 30 June 2018, 30 June 2019 and respectively 30 June 2020. The prospective financial statements are presented in New Zealand dollars, unless otherwise stated.

Measurement Base

The measurement basis applied is historical cost, modified by the revaluation of collection assets as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

There are no standards, amendments, and interpretations, issued but not yet effective that have not been early adopted, and which are relevant to the Trust.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

Revenue from Non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. In non-exchange transactions, the Trust either receives value from or gives value to another party without directly giving or receiving approximately equal value in exchange.

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Many of the services that the Trust provides for a fee are charged at below market value as they are subsidised by Palmerston North City Council operational grant, sponsorship, government/non-government grants. Other services operate on a cost recovery or breakeven basis and are not considered to reflect a market return. Most of the Trust's revenue is therefore categorized as non-exchange.

This includes PNCC grants, transfers from government/non-government entities, donations, donated/vested and custodial collection items, sponsorship, in kind sponsorship, revenue from services supplied at subsidised price.

Specific accounting policies for major categories of revenue from non-exchange transactions are outlined below:

Grants

Grants received from PNCC are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust's trust deed.

Revenues from non-exchange transactions with Council/other government/non-government entities are measured at fair value and recognised when the event occurs and the asset recognition criteria are met, if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Trust and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount if conditions of the grant are not met, deferred income is recognised instead of revenue, and recognised as revenue when conditions of the grant are satisfied.

Rendering of services

Revenue from the rendering of services is recognised when the transaction occurs to the extent that a liability is not also recognised. For these transactions the revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

All revenues from rendering of services are non-exchange, except for revenue from Venue Hire which is classified as exchange transaction.

Vested or donated physical assets

Where a physical asset is gifted to or vested in the Trust for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Such income is recognised when control over the asset is obtained, unless there is a use or return condition attached to the asset.

The fair value of vested or donated physical assets is determined by reference to the market value of comparable assets available.

'In Kind' Sponsorship

The Trust receives sponsorship 'in kind' by way of goods and services provided at discounted or nil charge. Where the fair value of these goods and services can be reliably measured, the income (and expense) is recognised as 'sponsorship - in kind' in the period in which the goods or services are received or there is a binding arrangement to receive the goods.

Volunteer Services

Volunteer services received are not recognised as revenue or expenditure as the Trust is unable to reliably measure the fair value of the services received.

Revenue from Exchange transactions

Sales of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Trust.

Interest Income

Interest income is recognised using the effective interest method.

Advertising Costs

Advertising costs are expensed when the related service has been rendered.

Borrowing Costs

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented within borrowings as a current liability in the statement of financial position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of a receivable is established when there is objective evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial Assets

Financial assets are categorised into the following four categories: financial assets at fair value through surplus or deficit; held-to-maturity investments; loans and receivables; and financial assets at fair value through other comprehensive revenue and expense. The classification depends on the purpose for which each investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

The fair value of financial instruments traded in active markets is based upon the quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

a) Financial Assets at Fair Value through Surplus or Deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. After initial recognition they are measured at their fair values. Gains or losses due to change in fair value are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

c) Held to Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

d) Financial Assets at Fair Value through Other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into this category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Property, Plant and Equipment

Items of property, plant and equipment are stated at historical or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are presented net in the surplus or deficit.

Work in Progress

All assets constructed by Trust are initially recorded as work in progress. Work in progress is recognised at cost less impairment and it is not depreciated. Upon completion, these assets are transferred to their relevant asset class and depreciation commences.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised as an expense as they are incurred.

(a) Furniture, Equipment and Exhibits

Furniture, equipment and exhibits (excluding art and heritage collections) are valued at cost less accumulated depreciation and impairment losses.

Depreciation
Assets are depreciated on a straight-line basis at rates that will write off their cost less any estimated residual value over the expected useful life of the asset. The useful lives of major classes of assets have been estimated as follows:

Computer Hardware	1 to 5 years
Exhibitions	2 to 10 years
Furniture & Fittings	4 to 10 years
Leasehold Improvements	4 to 10 years
Office Equipment	4 to 10 years
Plant	4 to 20 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(b) Collection Assets

As the Heritage Collection and Art Collection assets are intended to have an indefinite life, they are held in trust in perpetuity for the benefit of the public.

The Heritage Collection and Art Collection have not been depreciated, as it is the Trust's policy to maintain the collections in their current state, in accordance with the Trust's Collection Policies.

All additions to the Heritage and Art Collection are recorded at cost. These additions will be revalued in accordance with the Trust's Valuation Policy. Donated objects are recorded at fair value, or depreciated replacement cost, or nil value if considered unrealisable or irreplaceable.

Custodial Collection Assets are objects within the Heritage and Art Collections not formally owned by the Trust, where the Trust has assumed all the rights and obligations of ownership. Within the Heritage Collection this is limited to items on loan for an indefinite period, excluding works on loan from other Museums and Cultural organisations. In relation to the Art Collection, the nature of artworks and anecdotal evidence suggests that there is a high likelihood of request for return of loaned assets, irrespective of the loan period, therefore only items on loan from the Te Manawa Art Society Inc. are recognised as custodial assets. These assets are held and maintained by the Trust by agreement with the owners.

Revaluation

The Art Collection assets are revalued to fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by *Art + Object* Auckland as at 30 April 2015. Trust's policy is to revalue the Art Collection assets every three years.

The Heritage Collections assets are revalued to fair value as determined from market-based evidence by an independent valuer. Trust's policy is to revalue the Heritage Collection assets every four years to ensure that their carrying amount does not differ materially from fair value.

All other asset classes are carried at depreciated historical cost.

Accounting for Revaluations

The results of revaluing are credited or debited to an asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is charged to the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in a previous year surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve.

Intangible Assets

Recognition and measurement
Intangible assets are initially measured at cost, except for Intangible assets acquired through non-exchange transactions (measured at fair value).

All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost (or fair value for items acquired through non-exchange transactions) less accumulated amortisation and impairment, except for the items which are not amortised and instead tested for impairment such as Intangible assets with indefinite useful lives, or not yet available for use. The Trust has no intangible assets with indefinite useful lives.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Trust's website are recognised as an expense when incurred.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of.

The estimated useful lives are as follows:

Software	1 to 7 years
Website	3 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment and intangible assets

For the purpose of impairment of Property, plant and equipment and intangible assets, which are carried at cost less accumulated depreciation and impairment losses, the Trust classifies its items of property plant and equipment and intangibles as non-cash generating assets, as these are not held with the primary objective of generating a commercial return, but rather for service delivery purposes and to deliver to Trust's public benefit objectives. Property, plant, and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use for non-cash-generating assets

For Trust's non-cash generating assets, value in use is determined based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. The Trust does not currently hold property plant and equipment and intangible assets in this category.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs, if any. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are not expected to be settled within 12 months of balance date.

Employee Entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date. Sick leave has not been included, as the amount of accumulated sick leave that is anticipated to be taken in future periods is not considered to be material.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave have been calculated on an actuarial basis. The calculations are based on:

• likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and

• the present value of the estimated future cash flows.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in ‘finance costs.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for trade receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax
The Trust is exempt from Income Tax by virtue of its charitable status.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Trust's contributed capital;
- Retained earnings;
- Restricted reserves;
- Collections revaluation reserve;

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Trust.

Restricted reserves include those which have specific conditions accepted as binding by the Trust and which may not be revised by the Trust without reference to the Courts or a third party (i.e. endowment funds). Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Trust's decision. The Trust may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Trust.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, Plant and Equipment Useful Lives and Residual Values

The Trust reviews the useful lives and residual values of its property, plant and equipment annually. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors including the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus or deficit and the carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

The Trust has not made significant changes to past assumptions concerning useful lives and residual values.

PUBLIC BENEFIT ENTITY PROSPECTIVE FINANCIAL STATEMENTS (PBE FRS 42)

The Trust has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

(i) Description of the nature of the entity's current operation and its principal activities

The Trust is a Council Controlled Organisation, as defined in the Local Government Act 2002. The Trust's principal activities are outlined within this Statement of Intent.

(ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that cover 3 years and include them within the Statement of Intent. The purpose of the Statement of Intent is to state publicly the activities and intentions of Te Manawa for the year and the objectives to which these activities will contribute. Prospective financial statements are revised annually to reflect updated assumptions and costs.

(*iii) Bases for assumptions, risks and uncertainties*

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Trust expects to take place. The Trust has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Statement of Intent.

(iv) Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(iv) Other Disclosures

The prospective financial statements have been authorised by the Board for delivery to the Palmerston North City Council on 31 July 2020. The Trust is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Statement of Intent is prospective and as such contains no actual operating results.