Te Manawa

art science history PALMERSTON NORTH

# SIX MONTH REPORT

# JULY to DECEMBER 2018

for

# TE MANAWA MUSEUMS TRUST

## Goals:

- Attract visitors from within and outside the region and build international profile
- Enhance partnerships with Rangitāne
- Increase third party revenue and visitor satisfaction
- Develop and implement a rapid Evolution/Horizon Lift/Future Shift programme to define long term vision and service levels
- Commit to Staff development

**1. Attract visitors from within and outside the region and build international profile**

| Planned Activities | 2018/2019 Target | Status | Year to Date Result | Comments |
|---|---|---|---|---|
| Develop vision related experiences that attract increasing numbers of physical visitors to Te Manawa | 178k | At Risk | Q2: 73,443 visits in person, against a target of 89,000 (41% annual target achieved). NOTE: e-visits are no longer reported in this category<br><br>(2017/2018: – full year-141,436 visits in person, 51,156 e-visits. Full year target was 172,000) | Q1 Jerome Kavanagh Sound Journey (July)<br>Q1 NOA PasteUP! Initiative<br>Q1 Art Gallery Refresh<br>Q2 Santa's Cave Centenary Events Programme<br>Q2 Reflection Room WW100 community engagement initiative |
| Develop vision related exhibitions and products that increase the Te Manawa profile across New Zealand and the world | 100k | On Track | Q2: 78,123 (78 % annual target achieved)<br><br>(2017/2018: Achieved 251,141 against a target of 100,000) | Sunlight: Canterbury Museum 45,515<br>Mirror Magic: Taupo 5,798<br>Topp Twins: National Library 219<br>Waikato Museum 18,018<br>Museum in a Box: 681<br>Off-site events: 7892 |
| Develop a vision related on- line presence that attracts increasing interest | 200k | Achieved | Q2: 315,172 online presence (157% of annual target of 200k achieved). This is represented by:<br>Online reach (does not include 'bounce rate' where the user leaves within one minute without clicking or interacting with the site in any way) 288,355 (144% annual online reach target of 145k achieved).<br>E-visits 26,817 (49% annual e-visit target of 55k achieved).<br>(2017/2018: Achieved 524,746 against a target of 160,000) | Instagram profile created 8 Nov 2018. Over 200 followers at Dec 2018 |
| **TOTAL VISITS to TM Experience** | 478k | | Q2: 466,738 (96% annual target achieved)<br>(2017/2018: Achieved Total- 917,323 against a target of 432,000) | |

**2. Enhance partnerships with Rangitāne**

| Planned Activities | 2018/2019 Target | Status | Year to Date Result | Comments |
|---|---|---|---|---|
| Work with Rangitāne to create more opportunities for Rangitāne within Te Manawa such as involvement in development and implementation of Te Ahikaea.<br><br>Develop 'People Centre' Te Ahikaea inside Te Manawa | | In progress | (2017/18: Not measured) | Te Ahikaea – The Peoples Place will be undertaken by Te Rangimārie Marae Trustees and will be a dual venue cultural tourism project utilising Te Rangi Whenua Gallery at Te Manawa and the Te Rangimārie marae complex at Rangiotu.<br><br>Feasibility study / Business case is now complete and accepted by Te Rangimārie Marae. The design brief for Te Rangi Whenua is also complete. Performance programme is being developed to have public performances at Te Manawa and create promotional resources for social media.<br><br>External funding for the project from Te Puni Kōkiri was successful and further funding will now be sought from Te Puni Kōkiri and MBIE. |
| | 5,000 visitors to Te Ahikaea activities | On Track | In progress (Scheduled to begin June 2019)<br><br>(2017/18: Not measured) | The delay in opening will impact on reaching the visitor target although pre-launch performances will attempt to meet target. |

| 3. Increase third party revenue and visitor satisfaction | | | | |
|---|---|---|---|---|
| **Planned Activities** | **2018/2019 Target** | **Status** | **Year to Date Result** | **Comments** |
| Develop a fundraising strategy and engage a Fundraiser | $577k (figure should be $810k) | At Risk | Q2: $311k (against a target of $481k)<br><br>(2017/18: Not measured) | <u>Learning:</u> $42.5<br>Inclusion & Accessibility Grant from Lotto $15.3 (2018/19 portion)<br>Other Learning $27.2<br><u>PPE:</u><br>Mona Lisa Events , TM Overload Various Events $5.08k,<br>NOA from IHC $10k. Commitment to further $15k for the next calendar year confirmed<br>Admissions & Course fees (After School, NOA Art Classes & Creative Kids $5.7<br><u>Exhibitions: $98.8k in total</u><br>Santa Cave $16k vs Budget $15k<br>Touring $41k<br>Other Exhibitions $42.8<br><u>Customer Services</u> $42.6k, including Shop $32<br><u>Sponsorship: $77.7k</u><br>– Santa's Cave funding $52.2k)<br>Lion Foundation $20k<br>Pub Charity $20k<br>Copthorne $0.7k<br>Fly Palmy $5k (Promotion)<br>ECCT $5k<br>Misc Donations $1.5<br>– Spectra $2.5k - Mona Lisa<br>– CET Upgrade Security $23k<br><u>Other:</u><br>– Interest $7.5k<br>Approval of funding for Accessibility and Inclusivity Co-ordinator ($70k across 2 years) |
| Increase and maintain high levels of visitor satisfaction | Between 93-98% satisfied | On Track | 99 % as at Dec 2018 (Good/Very Good/Excellent)<br>(2017/2018: Achieved 99% against a target of >96%) | |

| 4. Develop and implement a rapid Evolution/Horizon Lift/Future Shift programme to define long term vision and service levels | | | | |
|---|---|---|---|---|
| **Planned Activities** | **2018/2019 Target** | **Status** | **Year to Date Result** | **Comments** |
| Establish Rapid Evolution principles, tools and approach | Establish Rapid Evolution Team | Not progressed | (2017/18: Not measured) | Following the decision for funding for the TM2025 business case to be managed by the Council – funding for the establishment of this team did not become available |
| | Develop foundational principles to drive experimentation, and inclusive practice | In progress | (2017/18: Not measured) | Te Manawa was accepted as part of the international community engagement mentoring programme OF\|BY\|FOR ALL. |
| | Develop and deliver two examples that explore and test 'out-of-the-box' thinking, and new approaches | Achieved | (2017/18: Not measured) | NOA 'We Are All Artists!' Pasteup Initiative tested co-creation and partnership concepts. Institutions shared and contributed resources, NOA participants create works of art to scale up and paste onto a large inner city wall.<br><br>Art Gallery Refresh of the Galleries provided plenty of opportunities of 'out-of-the-box thinking' to be realised. The design and implementation team focussed on practical design and innovation, providing the opportunity to challenge traditional concepts of curation and display, at the same time as incorporating extensive digital engagement opportunities.<br><br>Te Rangahau mobile Curiosity Studio is in development. An updated proposal for funding is awaiting approval by the Board |
| | Debrief and document learnings | Q3 | (2017/18: Not measured) | Strategic Programming Team to document this |
| Engage owners throughout Rapid Evolution programme development | Report every six months on progress, to inform workshops for input into future programmes of work | Q3 | (2017/18: Not measured) | Meetings held with representatives from the Art Society, Museum Society and Science Centre Inc |
| Document and communicate refinements to the long-term vision and service levels | Review team is established. Terms of Reference are developed | Q3 | (2017/18: Not measured) | |

Note: Current work streams to be subject to Rapid Evolution principles include:

1. Te Ahi Kaea
2. Social Space
3. Exploratorium
4. Long Term Art Exhibition
5. Learning – Te Rangahau Curiosity Centre
6. Day-to-day Visitor Experiences

All other current work streams are classified as Business As Usual

**5. Commit to Staff development**

| Planned Activities | 2018/2019 Target | Status | Year to Date Result | Comments |
|---|---|---|---|---|
| Develop and manage Human Resource systems aligning with and supporting the Te Manawa model and culture | All appropriate staff have annual Performance Reviews and agreed Development Plans for 2018/19 in place | On track | Finalisation of 18/19 Statement of Intent achieved 10 September 2018. Work planning is under way, and performance and development plans are being developed<br>(2017/2018: Achieved) | |
| Provide Te Reo Māori training | Provide Te Reo Māori training | On Track | (2017/2018: Achieved) | On-going weekly Te Reo training for all teams.<br>Learning hub team attended Te Reo course 8th Oct 2018 |
| Provide contemporary museum training | Provide contemporary museum training | On Track | (2017/2018: Not measured) | - Project management course attended by 1 Exhibitions staff member<br>- Social Media Master Class attended by Communications staff member<br>- Service IQ programmes in place for 3 staff. Two more staff considering Service IQ study.<br>- OF I BY I FOR All programme – 2 staff members invited to attend the programme workshop in Santa Cruz end of January 2019, flights and accommodation covered by OF I BY I FOR ALL |

Te Manawa

art science history PALMERSTON NORTH

# FINANCIAL REPORT

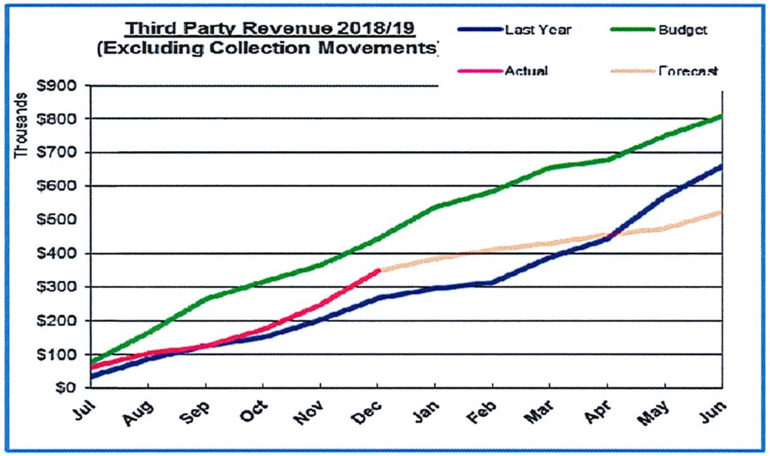
For six months ended

31 December 2018

## Contents

## Financial Commentary

### Key Result Indicators as at 31 December 2018




**Third Party Revenue (excluding Collection Movements):**

Actual YTD third party revenue at $311k is below budget by $107.7k

- Interest YTD is $7.5k vs Budget $5k
- Sponsorship and other income received is $283.6k vs Budget $414.1
- Public Programmes and events & Cust Services $64.4k vs Budget $68.7

Budget for third party revenue includes

- $100k being raised from Donations and/or Sponsorship for Rapid Evolution/TM2025
- $275k for Donations/Sponsorship to meet general operating expenditure.

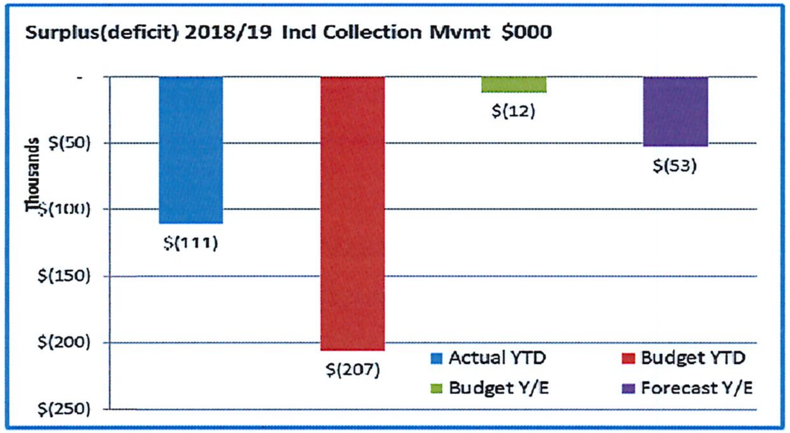
Forecast for Third Party Income has been reduced by $323.9k. The main changes include:

- $100k - The Rapid Evolution/TM2025 grant has been removed from forecast
- Donations/Sponsorship reduced by $152k to reflect a more achievable target

Other third party income has been reduced by $69k to reflect lower than predicted income from Events, Learning & Customer Services Revenue

. Committed donations and sponsorship include.

- APN Advertising $1,210
- In-kind Grants are committed for Staff Development from Catalyst4 & Santa Cruz ($13,970 in total)




**Year-End Surplus/(Deficit) (including Collection Movements):**

For the six months year-to-date net operating loss is ($111k), vs budget ($207k). This $96k favourable variance is due to: the receipt of $34k from Lotteries for Falling Waters, the transfer of $58k from Exhibitions ( Art Gallery and Santa's Cave) to Capex plus cost savings measures such as a decision not to appoint an additional marketing person and postponement of some exhibitions.
Year End Forecasts a net deficit of $52.6k which reflects the lower target for income and net reduction in forecasted expenditure. The YE Forecast includes a donation of Collection Assets to the value of $68k from the estate of Alison Hanham.

A proactive management of costs and increased effort in achieving the target revenue is focus for the remainder of the current year.

**Te Manawa Museums Trust**

**Statement of Comprehensive Revenue and Expenditure** ***(classification of expenses by activity)***

For the six months ended 31 December 2018

| | *Note* | **Actual YTD 31-Dec-18 Unaudited $** | **Budget YTD 31-Dec-18 $** | ***Variance*** **$** | **Last year 30-Dec-17 $** | **Forecast 30-Jun-19** (as at 31Dec 2018) **$** | **Budget 30-Jun-19 (SOI) $** | ***Variance*** **$** | **30 June 2018 12 Months Audited $** |
|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenue** | | | | | | | | | |
| PNCC Grants | | 1,565,513 | 1,565,512 | - | 1,531,813 | 3,131,027 | 3,131,026 | - | 3,063,626 |
| MDC Grant | | 20,360 | - | - | 20,000 | 20,360 | 20,000 | - | 20,000 |
| Interest Received | 1 | 7,500 | 5,002 | *2,498* | 11,326 | 12,498 | 10,000 | *2,498* | 20,505 |
| Other Income | 2 | 283,589 | 414,171 | *(130,582)* | 244,983 | 456,154 | 780,099 | *(323,945)* | 618,782 |
| **Total Operating Revenue** | | **1,876,962** | **1,984,685** | ***(107,723)*** | **1,808,122** | **3,620,038** | **3,941,125** | ***(321,087)*** | **3,722,913** |
| | | | | | | | | | |
| **Total Operating Expenditure** | | | | | | | | | |
| ***Assets & Systems*** | | | | | | | | | |
| ***Employee Costs*** | | | | | | | | | 464,664 |
| Collection & Knowledge | | 175,739 | 158,702 | *17,037* | 152,110 | 320,039 | 317,415 | *2,624* | 82,764 |
| Corporate Services & Facilities | | 326,791 | 369,734 | *(42,942)* | 311,462 | 724,860 | 757,390 | *(32,530)* | 453,119 |
| | | ***502,530*** | ***528,435*** | ***(25,905)*** | ***463,572*** | ***1,044,899*** | ***1,074,805*** | ***(29,906)*** | ***1,000,547*** |
| ***People & Partnership*** | | | | | | | | | |
| ***Employee costs*** | | | | | | | | | *688,694* |
| Learning | | 98,161 | 115,668 | *(17,506)* | 86,725 | 241,068 | 229,569 | *11,499* | 20,271 |
| Marketing and Communications | | *93,531* | 116,998 | *(23,467)* | *105,916* | 183,479 | 231,975 | *(48,496)* | 87,366 |
| Public Programmes & Events | | *91,007* | 76,695 | *14,312* | *92,971* | 160,219 | 147,360 | *12,859* | 76,829 |
| Sponsorship | | *10,013* | 7,297 | *2,716* | - | 10,013 | 10,897 | *(884)* | 12,000 |
| Customer Services | | *151,007* | 171,829 | *(20,822)* | *158,946* | 326,156 | 347,228 | *(21,072)* | 30,046 |
| Volunteers | | *840* | 574 | *266* | *310* | 1,417 | 1,150 | *267* | 1,061 |
| | | *444,560* | ***489,060*** | ***(44,500)*** | *444,868* | ***922,352*** | ***968,179*** | ***(45,827)*** | ***916,267*** |
| ***Concepts & Engagement*** | | *525,717* | ***672,201*** | ***(146,484)*** | *542,250* | ***828,991*** | ***966,108*** | ***(137,117)*** | ***875,511*** |
| ***Executive*** | | *389,382* | ***383,866*** | ***5,516*** | *365,216* | ***694,453*** | ***733,783*** | ***(39,330)*** | ***751,184*** |
| ***Depreciation*** | 5 | *135,177* | ***117,681*** | ***17,496*** | *182,912* | ***269,227*** | ***235,362*** | ***33,865*** | ***356,128*** |
| ***Asset Write Off*** | | - | - | - | - | - | - | - | ***30,666*** |
| **Total Operating Expenditure** | | **1,997,366** | **2,191,243** | **(193,877)** | **1,998,818** | **3,759,922** | **3,978,237** | **(218,315)** | **3,930,303** |
| **Operating Surplus/(Deficit)** | | **(120,404)** | **(206,558)** | **86,154** | **(190,696)** | **(139,883)** | **(37,112)** | **(102,771)** | **(207,390)** |
| | | | | | | | | | |
| **Collection Movement Income** | | | | | | | | | |
| Custodial Assets | | - | - | - | 15,070 | 5,000 | 5,000 | - | 15,070 |
| Donated Assets | | 9,339 | - | *9,339* | 38,736 | 82,257 | 20,000 | *62,257* | 40,255 |
| **Collection Movement Expense** | | | | - | | | - | - | |
| Custodial Assets Returned | | - | - | - | 3,776 | | - | - | 3,776 |
| Collection Assets Deaccessioned | | - | - | - | - | - | - | - | 1 |
| **Net Collection Movements** | | **9,339** | **-** | **9,339** | **50,030** | **87,257** | **25,000** | **62,257** | **51,547** |
| **Net Surplus/(Deficit)** | 9 | **(111,065)** | **(206,558)** | **95,493** | **(140,666)** | **(52,626)** | **(12,112)** | **(40,514)** | **(155,843)** |
| **Other Comprehensive Revenue and Expense** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total Comprehensive Revenue and Expense** | | **(111,065)** | **(206,558)** | **95,493** | **(140,666)** | **(52,626)** | **(12,112)** | **(40,514)** | **(155,843)** |

*The accompanying notes form part of, and are to be read in conjunction with these financial statements.*

**Te Manawa Museums Trust**

**Statement of Comprehensive Revenue and Expense (classification of expenses by function)**

For the six months ended 31 December 2018

| | *Note* | **Actual YTD 31-Dec-18 Unaudited $** | **Budget YTD 31-Dec-18 $** | ***Variance* $** | **Last year 31-Dec-17 Unaudited $** | **Forecast 30-Jun-19** *as at 31 Dec 2018* **$** | **Budget 30-Jun-19 (SOI) $** | ***Variance* $** | **30 June 2018 12 Months Audited $** |
|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenue** | | | | | | | | | |
| PNCC Grants | | 1,565,513 | 1,565,512 | - | 1,531,813 | 3,131,027 | 3,131,026 | - | 3,063,626 |
| MDC Grant | | 20,360 | - | 20,360 | 20,000 | 20,360 | 20,000 | | 20,000 |
| Interest Received | 1 | 7,500 | 5,002 | 2,498 | 11,326 | 12,498 | 10,000 | 2,498 | 20,505 |
| Other Income | 2 | 283,589 | 414,171 | (130,582) | 244,983 | 456,154 | 780,099 | (323,945) | 618,783 |
| **Total Operating Revenue** | | **1,876,962** | **1,984,685** | **(107,723)** | **1,808,122** | **3,620,038** | **3,941,125** | **(321,087)** | **3,722,914** |
| | | | | | | | | | |
| **Operating Expenditure** | | | | | | | | | |
| Payroll | 3 | 982,719 | 1,102,542 | (119,823) | 1,187,650 | 2,059,167 | 2,235,019 | (175,852) | 2,244,272 |
| Other Operating Expenses | | 838,601 | 930,152 | (91,550) | 587,387 | 1,349,790 | 1,426,118 | (76,328) | 1,217,500 |
| Interest | | - | - | - | - | - | - | - | - |
| PNCC Leases & SLA's | | 40,869 | 40,868 | 1 | 40,869 | 81,738 | 81,738 | (0) | 81,738 |
| Depreciation | | 135,177 | 117,681 | 17,496 | 182,913 | 269,227 | 235,362 | 33,865 | 356,128 |
| Asset Write-offs | | - | - | - | - | - | - | - | 30,666 |
| **Total Operating Expenditure** | | **1,997,366** | **2,191,243** | **(193,877)** | **1,998,819** | **3,759,922** | **3,978,237** | **(218,315)** | **3,930,304** |
| | | | | | | | | | |
| **Operating Surplus/(Deficit) Before Collection Items** | | **(120,404)** | **(206,558)** | **86,154** | **(190,697)** | **(139,883)** | **(37,112)** | **(102,771)** | **(207,390)** |
| **Collection Movement Income** | | | | | | | | | |
| Custodial Assets | 6 | - | - | - | 15,070 | 5,000 | 5,000 | - | 15,070 |
| Donated Assets | 6 | 9,339 | - | 9,339 | 38,738 | 82,257 | 20,000 | 62,257 | 40,255 |
| **Collection Movement Expense** | | | | | | | | | - |
| Custodial Assets Returned | 2 | - | - | - | 3,776 | - | - | - | 3,776 |
| Collection Assets Deaccessioned | | - | - | - | | - | - | - | 1 |
| **Net Collection Movements** | | **9,339** | **-** | **9,339** | **50,031** | **87,257** | **25,000** | **62,257** | **51,547** |
| | | | | | | | | | |
| **Surplus/(Deficit) Including Collection** | | **(111,065)** | **(206,558)** | **95,493** | **(140,666)** | **(52,626)** | **(12,112)** | **(40,514)** | **(155,843)** |
| | | | | | | | | | |
| **Third Party Revenue** | | 311,449 | 419,173 | (107,724) | 276,309 | 489,011 | 810,099 | (321,088) | 659,288 |
| **Third Party Revenue %** | | 16.6% | 21.1% | (4.5%) | 25.6% | 13.5% | 20.6% | (7.0%) | 17.7% |
| ***Including Collection Movements*** | | | | | | | | | |
| **Third Party Revenue $** | 1 | 320,788 | 419,173 | (98,385) | 62,514 | 576,268 | 835,099 | (258,831) | 100,100 |
| **Third Party Revenue %** | 2 | 17.1% | 21.1% | n/a | 3.5% | 15.9% | 21.2% | n/a | 2.7% |

*The accompanying notes form part of, and are to be read in conjunction with these financial statements.*

## Te Manawa Museums Trust
**Statement of Financial Position**
**As at 31 December 2018**

| | Notes | Actual<br>31-Dec-18<br>Unaudited<br>$ | Actual<br>31-Dec-17<br>Unaudited<br>$ | Forecast<br>30-Jun-19<br>*as at 31 Dec 2018*<br>$ | Budget<br>30-Jun-19<br>(SOI)<br>$ | *Variance*<br>$ | 30 June 2018<br>12 Months<br>Audited<br>$ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current Assets | | | | | | | |
| Cash and Cash Equivalents | 4 | 320,770 | 387,014 | 388,043 | 272,122 | 115,921 | 353,684 |
| Stock of Merchandise | | 53,088 | 49,784 | 45,000 | 45,000 | - | 52,526 |
| Debtors and Sundry Receivables | | 25,119 | 28,421 | 50,000 | 50,000 | - | 37,093 |
| Interest Receivable | | 522 | 4,788 | 1,600 | 1,600 | - | 4,125 |
| Prepayments | | 64,982 | 109,585 | 57,000 | 57,000 | - | 184,666 |
| Short Term Deposits | | 174,472 | 310,079 | 176,752 | 326,000 | (149,248) | 317,275 |
| **Total Current Assets** | | **638,954** | **889,671** | ***718,395*** | **751,722** | **(33,327)** | **949,369** |
| **Non-Current Assets** | | | | | | | |
| Intangible Assets | | 19,305 | 26,577 | 20,361 | 32,860 | (12,499) | 22,923 |
| Property Plant & Equipment: | | | | | | | |
| *Computer Hardware* | | *30,748* | 25,409 | 37,911 | 31,128 | 6,783 | 19,457 |
| *Exhibitions* | | *416,266* | 491,915 | 384,485 | 488,564 | (104,079) | 445,458 |
| *Furniture & Fittings* | | *96,365* | 97,535 | 82,242 | 72,987 | 9,255 | 96,126 |
| *Leasehold Improvements* | | *99,970* | 110,202 | 88,942 | 77,088 | 11,854 | 99,281 |
| *Plant & Equipment* | | *412,997* | 192,908 | 375,460 | 361,177 | 14,283 | 313,848 |
| *Work in Progress* | | *15,054* | 44,120 | 30,000 | 30,000 | - | 37,000 |
| Collection Assets - Owned | | 8,203,225 | 7,581,627 | 8,278,404 | 8,216,147 | 62,257 | 8,171,147 |
| Collection Assets - Custodial | | 8,265,209 | 7,168,049 | 8,270,211 | 8,270,213 | (2) | 8,265,211 |
| **Total Non-Current Assets** | | **17,559,139** | **15,738,342** | ***17,568,015*** | **17,580,164** | **(12,149)** | **17,470,451** |
| | | | | | | | - |
| **Total Assets** | | **18,198,092** | **16,628,013** | **18,286,410** | **18,331,886** | **(45,476)** | **18,419,820** |

(Continued on next page)

Te Manawa Museums Trust

## Statement of Financial Position

As at 31 December 2018

| | Notes | Actual<br>31-Dec-18<br>Unaudited<br>$ | Actual<br>31-Dec-17<br>Unaudited<br>$ | Forecast<br>30-Jun-19<br>*as at 31 Dec 2018*<br>$ | Budget<br>30-Jun-19<br>(SOI)<br>$ | *Variance*<br>$ | 30 June 2018<br>12 Months<br>Audited<br>$ |
|---|---|---|---|---|---|---|---|
| **Current Liabilities** | | | | | | | |
| Creditors, Provisions & Payables | | 164,532 | 199,870 | 160,000 | 160,000 | - | 235,880 |
| Employee Liabilities | | 164,895 | 134,894 | 195,619 | 195,619 | - | 195,619 |
| Provisions | | - | - | - | - | - | - |
| GST Payable (Receivable) | | 51,400 | 49,690 | 55,000 | 55,000 | - | 44,193 |
| Income received in advance | | 29,912 | 9,961 | 30,000 | 45,833 | (15,833) | 45,710 |
| **Total Current Liabilities** | | ***410,738*** | ***394,414*** | ***440,619*** | ***456,452*** | ***(15,833)*** | 521,402 |
| **Non-Current Liabilities** | | | | | | | - |
| Employee Benefit Liabilities | | 3,266 | 4,612 | 3,266 | 3,367 | (101) | 3,266 |
| **Total Non-Current Liabilities** | | ***3,266*** | ***4,612*** | ***3,266*** | ***3,367*** | ***(101)*** | 3,266 |
| **Total Liabilities** | | **414,004** | **399,026** | **443,885** | **459,819** | **(15,934)** | **524,668** |
| **Equity** | | | | | | | - |
| Trust Equity | | 10,597,792 | 10,810,046 | 10,597,790 | 10,597,692 | 98 | 10,753,633 |
| Retained Surplus Current Year | | (111,065) | (140,666) | (52,626) | (12,112) | (40,514) | (155,843) |
| Asset Revaluation Reserve | | 7,073,191 | 5,391,849 | 7,073,191 | 7,073,191 | (0) | 7,073,192 |
| Specific Reserves | 7 | 213,296 | 156,885 | 213,296 | 213,296 | (0) | 213,296 |
| Endowment Funds | 8 | 10,874 | 10,874 | 10,874 | - | 10,874 | 10,874 |
| **Total Equity** | *1* | **17,784,088** | **16,228,987** | **17,842,525** | **17,872,067** | **(29,542)** | ***17,895,152*** |
| **Total Equity & Liabilities** | | **18,198,092** | **16,628,013** | **18,286,410** | **18,331,886** | **(45,476)** | **18,419,820** |

*The accompanying notes form part of, and are to be read in conjunction with these financial statements.*

***For and on behalf of the Board***

***John Fowke***
***Chairman***

***Tyson Schmidt***
***Trustee***

***Date***
***28 February 2019***

**Te Manawa Museums Trust**

**Statement of Cash flows**

**For the 6 Months Ended December 2018**

| Description | | Actual<br>31-Dec-18<br>Unaudited<br>$ | Actual<br>31-Dec-17<br>Unaudited<br>$ | Forecast<br>30-Jun-19<br>*as at 31 Dec 2018*<br>$ | Budget<br>30-Jun-19<br>(SOI)<br>$ | *Variance*<br>$ | 30 June 2018<br>12 Months<br>Audited<br>$ |
|---|---|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | | | |
| Cash was provided from: | | | | | | | |
| PNCC Grant | | 1,565,513 | 1,531,813 | 3,131,027 | 3,131,026 | 1 | 3,063,626 |
| Other Revenue | | 299,563 | 294,022 | 455,423 | 800,099 | (344,676) | 684,482 |
| Reduction in Reserves | | - | | - | (10,874) | 10,874 | - |
| Interest | | 11,102 | 7,155 | 15,023 | 10,000 | 5,023 | 18,009 |
| | | ***1,876,179*** | ***1,832,990*** | ***3,601,472*** | ***3,930,251*** | ***(328,779)*** | ***3,766,117*** |
| Cash was disbursed to: | | | | | | | |
| Payroll | | 1,013,443 | 1,251,740 | 2,059,167 | 2,235,019 | 175,852 | 2,246,472 |
| Suppliers | | 831,134 | 592,875 | 1,379,742 | 1,407,996 | 28,254 | 1,347,743 |
| Net change in WC | | | - | - | | - | - |
| Interest | | - | - | - | - | - | - |
| Net GST Outflow (Inflow) | | (7,207) | (1,068) | (10,807) | 3,000 | 13,807 | (7,651) |
| | | *1,837,371* | *1,843,547* | *3,428,102* | *3,646,015* | (217,913) | *3,586,564* |
| **Net Cash Flows from Operating Activities** | | **38,808** | **(10,557)** | **173,370** | **284,236** | (110,866) | **179,553** |
| **Cash Flows from Investing Activities** | | | | | | | |
| Cash was provided from: | | - | | | | | |
| Sale of Assets | | | | | | | |
| Decrease in Short Term Investments | | 142,803 | - | 140,523 | 28,276 | 114,527 | - |
| Cash was disbursed to | | | | | | | |
| Purchase of Intangible Assets - Software | | (0) | 1,771 | 5,000 | 20,000 | 15,000 | 1,771 |
| Purchase of Property Plant & Equipment | | 191,754 | 140,147 | 219,533 | 312,073 | 92,540 | 347,723 |
| Purchase of Collection Assets | | 22,771 | - | 25,000 | 25,000 | - | 55,683 |
| W.I.P. | | | 51,859 | 30,000 | | (30,000) | - |
| Net reduction of short term deposit | | - | - | - | - | - | 12,039 |
| Total | | *214,525* | *193,777* | *279,533* | *357,073* | *77,540* | *417,216* |
| **Net Cash Flows from Investing Activities** | | **(71,722)** | **(193,778)** | **(139,011)** | **(328,797)** | **(189,786)** | **(417,216)** |
| Net Increase/(Decrease) in Cash Held | | **(32,914)** | **(204,333)** | **34,359** | **(44,561)** | 78,920 | (237,663) |
| Foreign Exchange movements | | - | | | - | - | |
| Opening Cash Balances | | 353,684 | 591,347 | 353,684 | 316,684 | 37,000 | 591,347 |
| **Closing Total Cash Balances** | 4 | **320,770** | **387,014** | **388,043** | **272,123** | **115,920** | **353,684** |

*The accompanying notes form part of, and are to be read in conjunction with these financial statements.*

## Notes to the six monthly report

**Selected Explanatory Notes (Commentary)**

1. **Interest revenue**

   Actual interest rate of 3.45% to 2.65% capitalised on short term deposits, compared to a budgeted 2.5%.

2. **Other operating revenue**

   Year-to-date other income is below budget by $131k. Year End Forecast indicates other income to be $324k below budget. Learning Revenue is forecast downward by $19k to reflect lower than expected Learning Revenue, off set partly by $15k received from Lotteries for an Inclusion & Accessibility Coordinator. Exhibitions income is below YTD target due to lower than expect revenue from "The Secrets of Mona Lisa". Santa's Cave Donations exceeded expectations earning $16k vs budget of $15k. A further $22k is expected from Topp Twins & Sunlight Touring Exhibitions. Sponsorship income has been t adjusted downward reflecting a more obtainable target.

3. **Employee expenses**

| | **Actual YTD 30-Dec-18 Unaudited $** | **Budget YTD 31-Dec-18 $** | ***Variance* $** | **Last year 31-Dec-17 Unaudited $** | **Forecast 30-Jun-19** *as at 31 Dec 2018* **$** | **Budget 30-Jun-19 (SOI) $** | ***Variance* $** | **30 June 2018 12 Months Audited $** |
|---|---|---|---|---|---|---|---|---|
| Total Salaries and Wages | 961,416 | 1,068,884 | 107,468 | 1,161,057 | 2,007,457 | 2,167,703 | 160,246 | 2,250,533 |
| Employer Contribution to Kiwi Saver | 21,303 | 33,658 | 12,355 | 26,593 | 51,710 | 67,316 | 15,606 | 49,271 |
| Employment Entitlements (Increase/Decrease | 8,107 | - | (8,107) | - | 11,500 | 11,500 | - | (5,543) |
| **Total Employee Expenses** | **990,825** | **1,102,542** | 111,717 | **1,187,650** | **2,070,667** | **2,246,519** | **175,852** | **2,294,261** |

The payroll for the actual year to date and forecast to year end provides for a significant decrease in payroll from the budget. This is the result of 2.2FTE positions not being filled as at 31 December 2018. One position (in Marketing) will not be proceeding; the other 1.2 positions have been filled with contractors rather than salaried personnel up to 31 December One of these roles held by a contractor in the first half of the year, will be taken up by a salaried person from mid-January.

## 4. Other operating expenditure

### Other Operating Expenses (net of PNCC leases and Depreciation) for 2018/19

For the six months to 31 December Other Operating Expenses amounted to $838.6k against a budget of $930.1k. The forecast total to 30 June 2019 is $1,349.8k versus a Budget of $1,426.1

- Collections costs were $17k over budget for the period. The photography of Art Collection is a timing difference and, Carousel repairs were not captured in the budget, but offset by a $20k grant received FY2018
- Learning is under YTD budget as a result of lower costs for LEOTC and other education programmes.
- Exhibitions are $146.5k under the second quarter target due some costs being treated as capital items
- Sponsorship has spent $10k vs Budget $7.3k on Fundraising for Santa's Cave & General Fundraising.
- Facilities spend is $157k vs Budget 191k. This is due mainly to the nature and timing of expenditure.
- Executive – has spent $389k vs Budget $384k budget .

## 5. Property, plant & equipment and Intangible assets:

| | Opening book value 1 July 2018 | Plus additions to 31 December 2018 | Less depreciation/ amortisation expense | Less impairment losses/assets written off | Closing net book value 31 December 2018 |
|---|---|---|---|---|---|
| Computer Hardware | 19,458 | 18,688 | 7,398 | - | 30,748 |
| Exhibition | 445,458 | 28,215 | 57,408 | - | 416,266 |
| Furniture & Fittings | 96,125 | 14,180 | 13,940 | - | 96,365 |
| Lease Improvements | 99,282 | 11,443 | 10,755 | - | 99,970 |
| Plant & Equipment | 313,847 | 141,208 | 42,058 | - | 412,997 |
| **Total Property Plant & Equipment** | **974,171** | **213,733** | **131,559** | **-** | **1.056.346** |
| **Intangibles** | **22,923** | **-** | **3,617** | **-** | **19,306** |
| **Work in Progress** | **-** | **15,054** | **-** | **-** | **15,054** |
| **Total** | **997,094** | **228,788** | **135,176** | | **1,090,706** |

The value of work in progress as at 31 December 2018 amounts to $15,054 and represents expenditure towards Te Rangi Whenua exhibition space.

## 6. Collection Assets

| Collection Assets | Opening Balance 1 July 2018 | Acquisitions | Donated/ Custodial Collection Assets | Revaluations | Deaccessions | Closing Balance 31 December 2018 |
|---|---|---|---|---|---|---|
| **Art** | | | | | | |
| Owned | 4,348,123 | 22,233 | 1,500 | - | - | 4,371,856 |
| Custodial | 6,892,944 | - | - | - | - | 6,892,944 |
| **Total Art Collection** | 11,241,067 | 22,233 | 1,500 | - | - | 11,264,800 |
| | | | | | | |
| **Heritage** | | | | | | |
| Owned | 3,823,024 | 538 | 7,839 | - | - | 3,831,401 |
| Custodial | 1,372,267 | - | - | - | - | 1,372,267 |
| Total Heritage Collection | 5,195,291 | 538 | 7,839 | - | - | 5,203,668 |
| **Total Collection Assets** | **16,436,358** | **22,771** | **9,339** | **-** | **-** | **16,468,468** |
| | | | | | | |
| Owned Collection Assets | 8,171,147 | 22,771 | 9,339 | - | - | 8,203,257 |
| Custodial Collection Assets | 8,265,211 | - | - | - | - | 8,265,211 |
| **Total Collection Assets** | **16,436,358** | **22,771** | **9,339** | **-** | **-** | **16,468,468** |

### Valuation

#### Heritage Collection

The Trust's policy is to revalue the heritage collection every five years. The owned and custodial heritage collections were independently valued at 30 June 2015 at $3,777,513 for the owned heritage collection and at $1,376,020 for the custodial heritage collection. The revaluation was undertaken by *Webb's* Auckland. The collection was valued based on fair value at the date of revaluation, by reference to price in an active market.

#### Art Collection

The Trust's policy is to revalue the art collection assets every three years. The owned and custodial art collections were independently valued at 31 January 2018 at $4,348,123 for the owned art collection and at $6,892,944 for the custodial art collection. The revaluation was undertaken by *Art+Object* Auckland. The collection was valued based on fair value at the date of revaluation, by reference to price in an active market.

No Collection assets are pledged as security as at 31 December 2018 (2017: $nil).

## 7. Specific Reserves

| Specific Reserves | Balance at 01/07/18 | Transfers from Retained Earnings | Balance as at 31 December 2018 | Forecast transfers in/(out) | Year-End Forecast Balance |
|---|---|---|---|---|---|
| Collection Development Fund - General | 8,856 | - | 8,856 | - | 8,856 |
| Collection Development Fund - Social History Specific | 16,391 | - | 16,391 | - | 16,391 |
| Historical Building Maintenance | 19,081 | | 19,081 | - | 19,081 |
| Exhibition Revitalisation/Development Fund | 168,969 | | 168,969 | | 168,969 |
| Unspent Santa's Cave Funds | - | | - | | - |
| **Total Specific Reserves** | **213,296** | **-** | **213,296** | **-** | **213,296** |

## 8. Endowment Funds

| Endowment Fund | Balance at 01/07/18 | Additional Endowments | Balance as at 31 December 2018 | Forecast transfers in/(out) | Year-End Forecast Balance |
|---|---|---|---|---|---|
| *Clevely Fund | 10,874 | - | 10,874 | - | **10,874** |
| **Total Endowment Funds** | **10,874** | **-** | **10,874** | **-** | **10,874** |

*Roy E Clevely Trust - 60% of net income per year for the general purposes of the Museum and in particular but without limitation for the acquisition of artefacts and materials including especially oral history recordings relating to pioneering and early development in the Manawatū-Rangitikei and neighbouring districts.

## 9. Cash and Cash Equivalents

| Cash & Cash Equivalents | | Interest Rate | 31 December 2018 |
|---|---|---|---|
| **Term Investments** | **Maturity date** | | |
| Term Investment - BNZ0001 CCE | 13/03/2019 | 2.65% | $130,678 |
| Westpac Cheque Account | | 0.10% | $21,984 |
| Westpac Online Saver Account | | 0.10% | $167,097 |
| BNZ Cheque Account | | | $11 |
| Petty Cash / Cash Floats | | | $1,000 |
| | | | **$320,770** |

## 10. Short Term Deposits

| Short Term Deposit | | Interest Rate | 31 December 2018 |
|---|---|---|---|
| **Term Investments** | **Maturity date** | | |
| Short Term Deposits - Westpac 0022 | 5/03/2019 | 3.45% | $174,472 |
| | | | **$174,472** |

As per the Trust's financial investment policy, the term deposits are invested with commercial banks with a Standard & Poor's credit rating of at least A-.

## 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), in accordance with the Financial Reporting Act (2013).

The financial statements of the Trust are for the six months ended 31 December 2018 and were approved by the Board of Trustees on 23 February 2017.

### BASIS OF PREPARATION

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

#### Statement of Compliance

The 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.

**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.

**Functional and Presentation Currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars (NZ$).

## SUMMARY OF 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 categorised 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, with the exception of 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 includes 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. The most recent valuation was performed by *Webb's* Auckland as at 30 June 2015. 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 subject to 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.

**Budget figures**

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board of Trustees in preparing these financial statements

**Critical Accounting Estimates and Assumptions**

In preparing these 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.

**Critical Judgements in applying the Trust's accounting policies**

There have been no specific areas requiring management or Trustees to exercise critical judgement in applying the Trust's accounting policies for the period ended 31 December 2018.