Te Manawa

art science history PALMERSTON NORTH

STATEMENT OF INTENT

for

TE MANAWA MUSEUMS TRUST

2019/20 – 2021/22

CONTENTS

CONTACT DETAILS

Address	Te Manawa Museums Trust	**Legal Status**	Te Manawa Museums Trust is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002 and operates as a charitable trust under the Charitable Trust Act 1957. It is a not-for-profit CCO.
	Private Bag 11055		
	Palmerston North		
Website:	www.temanawa.co.nz		
Phone:	(06) 355-5000		
Email:	enquiries@temanawa.co.nz		
Main Contact:	Andy Lowe	**Charities Registration number:**	CC38836
Role in CCO:	Chief Executive	**List of trustees**	John Fowke - Chair Geoffrey Jameson Nuwyne Te Awe Awe Mohi Sheridan Hickey Tyson Schmidt Paul McElroy Manu Kawana Sarah Bell
Phone:	06 351-4492		
Email:	andy.lowe@temanawa.co.nz		

INTRODUCTION

Te Manawa is going through a period of consolidation where we are balancing our need to keep business as usual satisfying our core audiences with the need to keep an eye on the future. As we move forward we are always conscious that the PNCC objective to be 'a creative and exciting city' lies at the heart of our mandate. To deliver on this we return to our key focus areas, art, science and heritage. Combining these wider briefs with our close relationship with Rangitāne helps us to improve and innovate in ways and with relevance that single institutions are not able to do.

Museums worldwide are grappling with their collective futures and particularly in remaining vital and valuable to their communities. The public want deeper and more energetic access to their museums. They want to see and hear their stories told, in their own voices. They are right to demand inclusion, representation and participation. These make for personal experiences that touch them emotionally, inspire them creatively and give life and mana to their collective heritage and make for creative and exciting places to live.

For us, it is all about connection. People should feel passionate and excited about, and attached to Te Manawa, the collections we care for, and the experiences we shape with them.

We have started on this work and were recently fortunate to be selected by a leader in inclusive practice, the Museum of Art and History in Santa Cruz California, to join the OF/BY/FOR/ All programme to build on what we are doing now and in to the future. Our team are now assessing and evaluating the ways that their learnings from this programme can add to the value we deliver to our stakeholders and communities.

Te Manawa and PNCC are on a journey together that we have titled TM2025 – it is early days yet but significant progress has been made building towards the development of the concept for the future. This has the potential to shine a light on the path for museums in New Zealand and worldwide and we look forward to the continuation of this process.

John Fowke
Chair, Te Manawa Museums Trust

28 February 2019

Purpose of the Statement of Intent

This Statement of Intent is presented by Te Manawa Museums Trust in accordance with the requirements of Section 64(1) of the Local Government Act 2002.
In accordance with the Local Government Act 2002, this annual Statement of Intent publicly states the activities and intention of Te Manawa Museums Trust for the next three years, and the objectives to which those activities will contribute.

The final Statement of Intent will take shareholder comments into consideration and include performance measures and targets as the basis of organisational accountability.

About Te Manawa Museums Trust

PURPOSE

Amplifying possibilities

OUR VISION

A museum without boundaries

Museum without boundaries – is about busting through and reinventing the concept of a museum. It is where extremes and differences rub up against each other; where we are propelled into new dimensions, a place that provokes thinking. A place that can laugh out loud, do the unexpected, a place full of heart, a catalyst for collaboration.

MISSION

We will partner with communities, thought leaders, change makers and supporters, to inspire, broker and deepen connections among them, and with our worlds' tangible and intangible treasures, so that we can create and deliver relevant, engaging programmes and experiences with and for our communities.

Te Manawa will make a difference by:

- Connecting people with each other and unlocking the riches of our treasures and stories;
- Incubating ideas through collaboration and experimentation;
- Amplifying possibilities and potential, with and for our communities;
- Challenging boundaries, and responding proactively to change.

OUR VALUES

In order to be able to co-create an energetic, surprising museum with multiple communities we need to embody the following values:

Kaitiakitanga

We are passionate about the treasures we care for on behalf of the community, and their power to inform and transform us, now and into the future.

Courageous and experimental

We are committed to making a real and positive difference, thinking clearly and openly about how Te Manawa can best evolve to achieve this – and when and how we need to think outside the box, and be brave, daring and fearless in our thinking and actions.

Open and inclusive

The concept of *TĀTOU / WE* together is central to everything we do – acknowledging the mana of each person and the collective mana of all.

Open communication – the ability to listen actively, with respect, and to frame relevant questions that will unlock meaning, insights and value – underpins our culture.

Smart and strategic

Our responsibility to our communities means we are strategic about where we are going, and smart, rigorous and pragmatic about how we will get there.

Our decisions are based on prioritising and growing our resources and monitoring outcomes, with a focus on building our ability to impact and achieve sustainable success.

Generous and entrepreneurial

We believe our communities are part of a world full of the possibilities, talent, solutions and insight our future relies on. To realise this potential we are generous in our approach - our ability to have fun, enjoy life and value each other underpins the spirit of entrepreneurship that drives us forward.

OBJECTIVES OF THE TE MANAWA MUSEUMS TRUST DEED

Te Manawa Museums Trust Board is established and governed in accordance with the Te Manawa Trust Deed; available on request from the Executive Assistant of Te Manawa.

Established 30 August 1999

- To provide governance of an organisation which is a regional museum complex, advancing interest in art, heritage and science (including interactive science)
- To provide study, educational and enjoyment opportunities through acquiring, conserving, researching, communicating and exhibiting material evidence of people and their environment

- To develop, promote, enhance and maintain collections to make them relevant to the peoples of the Manawatu and New Zealand
- To recognise and act in accordance with the principles of the Treaty of Waitangi and to involve and give special attention to the history of the Tangata Whenua in the Region
- To ensure that the facility functions as a valued professional education resource and community asset for the citizens of Palmerston North and the Manawatu Region
- To encourage and support the kindred Societies in accordance with the objects of this Trust Deed
- To recognise the organisation's location in the Manawatu and to be aware of the Regional focus

STATEMENT OF THE BOARD'S APPROACH TO GOVERNANCE

The Board of up to seven independent directors is responsible for the strategic direction and control of Te Manawa's activities.

The Board guides and monitors the business and affairs of Te Manawa, in accordance with the Companies Act 1993, the Local Government Act 2002, the Company's Constitution and this Statement of Intent.

The Board's approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to shareholders and reporting to the Arts, Culture and Heritage Committee of Palmerston North City Council.

The Chief Executive is responsible for the day-to-day operations of Te Manawa, engaging and oversight of staff and reporting to the directors on performance against Te Manawa's performance objectives.

CONTRIBUTION TO SMALL CITY BENEFITS, BIG CITY AMBITION

Te Manawa received a letter of Expectation stating that council's objectives relating to Te Manawa are outlined in the Te Manawa Museums Trust Deed, and the Councils Arts and Culture and Heritage plans. The Culture and Heritage plan supports priority 2 of the Creative and Liveable Strategy which is to " celebrate the city's history and diversity and build on the strength of being a city with many cultures and languages," whilst the Arts Plan supports priority 3 of the Creative and Liveable Strategy which is to "develop the city into an arts powerhouse with a national reputation for creativity and the arts."

The Council wants:

- *There to be cutting edge, visible and resilient cultural institutions in the city*
- *Diversity of arts and cultural traditions of local communities to be supported and celebrated through a variety of arts seen in the city*
- *Expressions of cultural heritage to be more visible in the cityscape*
- *Opportunities to collaborate with and support the heritage sector to be realised*

STRATEGIC OBJECTIVES

FOR 2019/20, 2020/21 and 2021/22

The difference the Trust wants to make:

- *Te Manawa's reputation as a creative and vibrant organisation drives visitation to Palmerston North*
- *Te Manawa is future-proofed to allow the community to connect and co-create*
- *Te Manawa is a special place for Tangata Whenua*
- *Te Manawa celebrates diversity*
- *Te Manawa enhances the creativity of the community*
- *Te Manawa assists the art, heritage and science communities*

WHAT WE DO

Objective 1: Te Manawa's profile as a place with which to engage is maintained and enhanced

- *Develop experiences that attract over 100,000 physical visitors to Te Manawa*
- *Develop experiences and products that increase the Te Manawa profile*
- *Develop on-line experiences that attract increasing interest*

Objective 2 Te Manawa's relationship with Rangitāne is a priority

- *Implement Te Ahi Kaea*
- *Evolve relationship with Rangitāne in line with their post settlement aspirations*

Objective 3: Third party revenue generation and excellent visitor feedback statistics are a priority:

- *Short and long term fundraising strategies are developed and implemented*
- *High visitor satisfaction is maintained*
- *New ways of counting visitors are implemented and maintained*

Objective 4: Te Manawa is focussed on developing for the future.

- *Extend the reach of digital engagement*
- *Future museum principles established*
- *Creative and science communities engaged.*
- *Mature relationships with the societies*
- *Consider environmental impacts when planning*
- *Test ideas for future experimentation*

Objective 5: Prioritise staff development

- *Provide contemporary museum training*
- *Carry out staff engagement survey*

PERFORMANCE MEASURES

Te Manawa intends to increase emphasis on digital engagement. Numbers of physical visitors to Te Manawa will be lowered over the coming years in favour of higher numbers of on-line engagement. Digital engagement is far wider reaching and has the potential for engagement at a national and international scale.

KEY PERFORMANCE INDICATORS FOR 2019/20, 2020/21 and 2021/22

1 **Te Manawa's profile as a place to visit is maintained**			
Performance Measures	**Target**		
	2019/20	**2020/21**	**2021/22**
A high number of visitors to Te Manawa experiences	170k	170k	170k
Exhibitions and products increase Te Manawa's profile across New Zealand and the world	50k	50k	100k
On-line presence attracts increasing interest	400k	450k	500k
TOTAL VISITS	620k	670k	770k

2 Te Manawa's relationship with Rangitāne is a priority			
Performance Measures	**Target**		
	2019/20	**2020/21**	**2021/22**
Partner with Rangitāne to create more opportunities for Rangitāne with Te Manawa Develop Te Ahi Kaea (a Māori tourist attraction based on stories of Rangitāne told and performed at Te Manawa and marae)	2,000 visitors to Te Ahi Kaea activities	5,000 visitors to Te Ahi Kaea activities	10 ,000 visitors to Te Ahi Kaea activities

3 Third party revenue and visitor satisfaction ratings underpin Te Manawa's reputation and activities			
Performance Measures	**Target**		
	2019/20	**2020/21**	**2021/22**
Develop and implement a strategy to increase third party revenue	$651k	$656k	$656k
Maintain high levels of visitor satisfaction	96%> satisfied	96%> satisfied	96%> satisfied

4 The long term vision and service levels are supported by future-focussed public engagement and project implementation practices			
Performance Measures	**Target**		
	2019/20	**2020/21**	**2021/22**
Develop foundational principles and establish a programme of projects that demonstrate community participation and experimentation	Develop and deliver two examples that explore and test 'out-of-the-box' thinking, and new approaches Debrief and document learnings	Develop and deliver a further three examples to use and test concepts Debrief and document learnings Refine foundational principles to drive experimentation and inclusive practice Commence establishment of the Implementation Plan	Develop and deliver a further three examples to use and test concepts Debrief and document learnings Refine foundational principles to drive experimentation and inclusive practice Finalise the Implementation Plan

5 Staff development is a priority			
Performance Measures	**Target**		
	2019/20	**2020/21**	**2021/22**
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 2020/21 in place	All appropriate staff have annual Performance Reviews and agreed Development Plans for 2021/22 in place	All appropriate staff have annual Performance Reviews and agreed Development Plans for 2022/23 in place
Provide Te Reo Māori training	Provide Te Reo Maori training	Provide Te Reo Maori training	Provide Te Reo Maori training
Provide contemporary museum training	Provide contemporary museum training	Provide contemporary museum training	Provide contemporary museum training
Strengthen Staff engagement	Staff engagement survey carried out	Staff engagement survey carried out	Staff engagement survey carried out

GOVERNANCE STATEMENTS

Te Manawa Museums Trust Board is established and governed by the Te Manawa Trust Deed; available on request from the Executive Assistant of Te Manawa.

SIGNATURES

This Statement of Intent was approved by the Te Manawa Museums Trust Board on:

Date: 28 February 2019

John Fowke, Chair, Te Manawa Museums Trust Board

Te Manawa

art science history PALMERSTON NORTH

Te Manawa Museums Trust

Statement of Intent (Financials)
For the years ended 30 June 2020, 2021 & 2022

Contents

Budget Assumptions and Comments:

Revenue

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

   2019/20: $3,193,647 (2018/2019 plus 2.0%)
   2020/21: $3,257,520 (2019/2020 plus 2.0%)
   2021/22: $3,322,671 (2021/2022 plus 2.0 %)

   As advised by PNCC.

2. **Interest Revenue**

   Interest Income has been based on average bank balances of between the previous year and the current year. The interest rate used is a conservative 2.75%

3. **Fundraising, Donation and Sponsorship Revenue & Expenditure**
   Revenue from Fundraising, Donations and Sponsorship is forecast to increase from the 2018/19 forecast. Te Manawa plans to develop a fundraising strategy and engage a Fundraiser to build the uncommitted reserves balance, 33% of the Net (i.e. after costs) will be retained.

4. **Other Operating Revenue**

   Other Operating Revenue is forecast to decrease from the 2018/2019 budget, Projects and Events not captured in the budget as revenue or expenditure will be added to the forecast when a business case for each project/event is presented to the Leadership team and approved.

5. **Net Collection Movements**

   The level of donated collection assets is maintained at prior years' level ($25,000).

   The prospective financial statements do not provide for a forecast net movement in the market value of the 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 the Art Collection will take place during 2020/21 financial year and the Heritage Collection revaluation is planned to take place in 2019/20 financial year.

Expenditure

6. **Payroll:**

   The Payroll budget for 2019/20 incorporates requirements of the remuneration system adopted by Te Manawa.

7. Museum Activities:

Operating costs have been budgeted for the next three years based on current contractual commitments. Projects and Events not captured in the budget will be added to the forecast when a business case for each project/event is presented to the Leadership team and approved.

Museum Activities portion of operating expenditure is down against last year actual & budget, because spending is based on income that is reasonably certain. Further spending will be reliant upon fundraising, grants or sponsorship being obtained. The forecast shows the spending from the funds raised, under Sponsorship & Fundraising Expenses

8. Occupancy Costs:

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

General insurance costs (i.e. other than collection insurance) have been forecast based on actual quotes adjusted for inflation. The forecast energy is based on actual consumption trend adjusted for inflation.

9. 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.

10. Depreciation:

The forecast depreciation for the next three financial years is based on the planned plant and equipment additions. (Refer to Note 13 for more information on planned capital expenditure).

Depreciation expense is forecast to decrease slightly in year 2019/20 from 2018/19 as a result of the semi-permanent exhibitions upgraded back in 2011 being fully depreciated by the end of the 2017/18 financial year.

11. Operating Surplus/(Deficit) before Collection Movements:

Operating net surplus has been budgeted for in 2019/20 $84k: 2020/21 131k: & 21/22 $165k.
A valuation for the Heritage collection is due 2019/20 $14k and for the Art Collection in 2021/22 $3.4k

The table below provides an analysis of operating expenses by function:

Operating Expenditure	Notes	Budget 2018/19 $	*Forecast* 2018/19 $ *as at 31Dec 2018*	Budget 2019/20 $	Budget 2020/21 $	Budget 2021/22 $
Other Operating Expenditure						
Assets and Systems	8,9					
Facilities		281,266	271,770	277,846	283,179	288,619
Corporate Services		158,313	175,428	157,682	159,301	160,952
		439,579	*447,198*	435,528	442,480	449,571
People & Partnerships	7					
Education		21,998	17,235	28,113	28,675	29,248
Public Programmes and Events		36,009	34,233	36,735	37,470	38,219
Communications		67,260	76,485	81,850	83,487	85,157
Visitors' Host		42,020	42,684	41,476	29,824	32,268
Volunteers		1,150	*1,417*	1,150	*1,173*	1,196
		168,437	*172,055*	189,324	180,628	186,089
Concepts & Engagement	7					
Collection		102,258	*103,922*	117,660	105,227	110,825
Other operating expenditure		525,803	368,829	135,798	123,167	125,630
		628,061	472,751	253,458	228,394	236,455
Executive						
Fundraising Expenditure	3	10,897	10,013	300,000	300,000	309,333
Kaihautu		11,200	8,487	10,000	10,200	10,404
Other operating expenditure		241,155	311,911	71,755	73,150	74,573
		263,252	330,411	381,755	383,350	394,311
Payroll	6	2,243,546	*2,068,105*	2,237,181	2,284,210	2,309,814
Depreciation/Amortisation	10	235,362	*269,227*	269,952	270,291	243,336
Assets Written Off		-	-	-	-	-
Total Operating Expenditure		**3,978,237**	**3,759,747**	**3,767,198**	**3,789,354**	**3,819,575**

STATEMENT OF FINANCIAL POSITION

12 Cash & Short Term deposits:

Cash & Cash Equivalents (including term deposits with a maturity of up to 3 months) are budgeted to increase by the amount of interest earned as reported in the Prospective Cash flow Statement.

A short term deposit with maturity of up to 6 months has been budgeted for during next year, in line with current forecast, to benefit from higher interest rate levels.

13. Planned Capital Expenditure:

A summary of the budgeted capital acquisitions by type of assets including Collections Assets Owned is presented below:

Planned Capital Expenditure Summary	*Budget 2018/19 $*	*Forecast 2018/19 $*	Budget 2019/20 $	Budget 2020/21 $	Budget 2021/22 $
Software	*20,000*	*5,000*	*16,000*	*24,000*	-
Leasehold Improvements	-	*11,443*	-	*16,000*	-
Information Technology	*28,000*	*33,688*	*56,770*	*25,600*	*27,000*
Exhibitions	*136,141*	*43,215*	*9,000*	*91,800*	*20,950*
Furniture & Fittings	*2,000*	*14,180*	*23,014*	*35,558*	*30,000*
Plant & Equipment	*108,932*	*117,028*	*93,978*	*30,000*	*5,000*
Collection Assets (Owned)	*25,000*	*25,000*	*25,000*	*25,000*	*50,000*
Total assets additions	320,073	249,553	223,762	247,958	132,950

14. STATEMENT OF CASHFLOWS:

Forecast net cash flows from operating activities are sufficient to cover the planned capital expenditure for the planned 2019/20 financial year. The cash flow statement shows an increase in the cash held. The plan is to provide for an increase in uncommitted reserves.

Te Manawa has also planned for significant refurbishments of the semi-permanent exhibitions that will make the long term galleries more vibrant and engage more visitors. This, however, relies significantly on third party revenue and, thus, third party revenue will remain a focus.

15. STATEMENT OF CASH BALANCES & RESERVES:

Endowment Fund	**Balance 1/7/18**	**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 1/7/18**	**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**
Collection Development	25,247	**25,247**		**25,247**	-	**25,247**	-	**25,247**
Historical Building Maintenance	19,081	**19,081**	-	**19,081**	-	**19,081**	-	**19,081**
Semi-Permanent Exhibition Development Reserve	168,969	**168,969**		**168,969**	-	**168,969**		**168,969**
Total Specific Reserves	**213,297**	**213,297**	-	**213,297**	-	**213,297**	-	**213,297**

The budget does not include any reduction of the Reserves.

Te Manawa Museums Trust

Prospective Statement of Cash Balances and Reserves

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

	Note	*Budget 2018/19 $*	*Forecast 2018/19 $ as at 31 Dec 2018*	Budget 2019/20 $	Budget 2020/21 $	Budget 2021/22 $
Cash was provided from:						
PNCC Grants		*3,131,026*	*3,131,027*	3,193,647	3,257,520	3,322,671
MDC Grant		*20,360*	*20,360*	20,307	20,713	21,127
Interest Received		*10,000*	*12,498*	6,236	10,532	13,282
Fundraising & Sponsorship		*303,000*	*150,667*	355,000	355,000	365,000
Other Revenue		*476,739*	*305,487*	269,890	270,087	256,998
		3,941,125	***3,620,039***	**3,845,080**	**3,913,852**	**3,979,078**
Cash was applied to:						
Payroll		*2,243,546*	*2,067,693*	*2,269,227*	*2,301,550*	*2,327,501*
Suppliers		*1,423,004*	*1,221,727*	*1,211,334*	*1,211,334*	*1,242,677*
Purchase of Assets (Non Exhibition)		*183,932*	*236,338*	*214,762*	*156,158*	*102,950*
Exhibitions - Semi Permanent / Outward Touring		*136,141*	*43,215*	*9,000*	*91,800*	*30,000*
		3,986,623	***3,568,973***	**3,704,323**	**3,760,843**	**3,703,128**
Net Cash Inflow/(Outflow)		***(45,498)***	***51,066***	**140,756**	**153,010**	**275,950**
Opening Bank Balance		*670,959*	*670,959*	564,775	695,139	848,149
Closing Bank Balance		***625,461***	***722,025***	**705,532**	**848,149**	**1,124,099**

	Note	*Budget 2018/19 $*	*Forecast 2018/19 $*	Budget 2019/20 $	Budget 2020/21 $	Budget 2021/22 $
Represented By:						
Cash Commitments:						
Suppliers and Sundry Payables		*205,834*	*190,000*	*190,000*	*190,000*	*190,000*
Capital Creditors		-	-	-	-	-
Employee Entitlements		*195,619*	*195,619*	*195,619*	*195,619*	*195,619*
GST Payable		*55,000*	*55,000*	*55,000*	*55,000*	*55,000*
Finance Leases		-	-	-	-	-
		456,453	***440,619***	**440,619**	**440,619**	**440,619**
Less Operating Cash Receivable:						
Customers and Sundry Receivables		*107,000*	*107,000*	*107,000*	*107,000*	*107,000*
GST Receivable		-	-	-	-	-
Interest Receivable		*1,600*	*1,600*	*1,600*	*1,600*	*1,600*
		108,600	***108,600***	**108,600**	**108,600**	**108,600**
Endowment Funds						
Clevely Fund		*10,874*	*10,874*	10,874	10,874	10,874
		10,874	***10,874***	**10,874**	**10,874**	**10,874**
Specific Reserves						
Collection Development Fund		*25,247*	*25,247*	25,247	25,247	25,247
Historical Building Maintenance Reserve		*19,081*	*19,081*	19,081	19,081	19,081
Semi Permanent Exhibitions Dev & Revitalisation		*168,969*	*168,969*	168,969	168,969	168,969
	15	***213,297***	***213,297***	**213,297**	**213,297**	**213,297**
Working Capital Provision		***250,000***	***250,000***	**250,000**	**250,000**	**200,000**
Tagged Reserves & Commitments		***822,024***	***806,190***	**806,190**	**806,190**	**756,190**
Untagged Reserves		**(196,562)**	**(84,165)**	**(100,658)**	**41,959**	**367,909**
Total		***625,461***	***722,025***	**705,532**	**848,149**	**1,124,099**

Te Manawa Museums Trust

Prospective Statement of Comprehensive Revenue and Expenses

For Three Years ended 30 June 2020, 2021 & 2022

	Notes	Actual 2017/18 $	Budget 2018/19 $	*Forecast 2018/19 $ as at 31Dec 2018*	Budget 2019/20 $	Budget 2020/21 $	Budget 2021/22 $
Revenue							
PNCC Operational Grant	1	3,063,626	3,131,026	3,131,027	3,199,909	3,263,907	3,329,185
MDC Grant		20,000	20,360	20,360	20,307	20,713	21,127
Interest Received	2	20,505	10,000	12,498	6,236	10,532	13,282
Fundraising & Sponsorship	3	231,402	303,000	150,667	355,000	355,000	365,000
Other Revenue	4	387,380	476,739	310,487	269,890	270,087	256,998
Total Revenue		**3,722,914**	**3,941,125**	**3,625,039**	**3,851,341**	**3,920,239**	**3,985,593**
Expenditure							
Personnel Costs	6	2,300,925	2,243,546	2,068,105	2,237,181	2,284,210	2,309,814
Museum Activities	7	892,273	1,125,428	1,058,894	600,481	569,935	586,736
Occupancy Costs	8	256,573	281,266	271,770	277,846	283,179	288,619
PNCC Leases & SLA's	9	81,738	81,738	81,738	81,738	81,738	81,738
Spending from Fundraising	3	12,000	10,897	10,013	300,000	300,000	309,333
Depreciation/Amortisation	10	386,794	235,362	269,227	269,952	270,291	243,336
Assets Written Off		-	-	-	-	-	-
Total Operating Expenditure		**3,930,303**	**3,978,237**	**3,759,747**	**3,767,198**	**3,789,354**	**3,819,575**
Operating Surplus/(Deficit) Before Collection Movements	11	**(207,389)**	**(37,112)**	**(134,708)**	**84,143**	**130,886**	**166,017**
Collection Movement Income							
Custodial Assets		15,070	5,000	69,750	5,000	5,000	5,000
Donated Assets		40,255	20,000	9,498	20,000	20,000	20,000
Collection Movement Expense							
Custodial Assets Returned		3,776	-	-	-	-	-
Collection Assets Deaccessioned		1	-	-	-	-	-
Net Collection Movements	5	**51,548**	**25,000**	**79,248**	**25,000**	**25,000**	**25,000**
Net Surplus/(Deficit)		**(155,840)**	**(12,112)**	**(55,460)**	**109,143**	**155,886**	**191,017**
Other Comprehensive Revenue and Expenses		-	-	-	-	-	-
Total Comprehensive Revenue and Expense		**(155,840)**	**(12,112)**	**(55,460)**	**109,143**	**155,886**	**191,017**
Third Party Revenue Before Collection Income		**659,288**	**810,099**	**494,012**	**651,432**	**656,332**	**656,407**
Third Party Revenuie as % of total Income before Collections Income		**18%**	**21%**	**14%**	**17%**	**17%**	**16%**
Third Party Revenue Including Collection Income		**714,612**	**835,099**	**573,260**	**676,432**	**681,332**	**681,407**
Third Party Revenuie as % of total Income.		**19%**	**21%**	**15%**	**17%**	**17%**	**17%**

Te Manawa Museums Trust

Prospective Statement of Financial Position

As at 30 June 2020, 2021 & 2022

	Notes	Actual	*Budget*	*Forecast*	Budget	Budget	Budget
		2017/18 $	*2018/19* $	*2018/19* $ *as at Dec 2018*	2019/20 $	2020/21 $	2021/22 $
Assets							
Current Assets							
Cash & Cash Equivalents	12	353,684	272,122	387,023	411,151	353,629	616,297
Short Term Deposits		317,275	326,000	176,752	282,988	493,520	506,802
Stock of Merchandise		52,526	45,000	45,000	45,000	45,000	45,000
Receivables		37,093	50,000	50,000	50,000	50,000	50,000
Interest Receivable		4,125	1,600	1,600	1,600	1,600	1,600
Prepayments		184,666	57,000	57,000	57,000	57,000	57,000
Total Current Assets		949,369	751,722	717,375	847,739	1,000,749	1,276,699
Fixed Assets							
Information Technology		19,457	31,128	37,911	75,021	80,124	86,332
Property Plant & Equipment							-
Exhibitions		445,458	481,564	384,485	305,151	308,290	247,486
Furniture & Fittings		96,126	72,987	82,242	78,750	85,219	90,687
Leasehold Improvements		99,281	77,088	88,942	67,136	60,371	45,276
Plant & Equipment		313,848	361,177	375,480	364,421	293,894	206,049
Collection Assets (Owned)		8,171,147	8,216,147	8,278,404	8,323,404	8,368,404	8,438,404
Collection Assets (Custodial)		8,265,211	8,270,213	8,270,211	8,275,211	8,285,211	8,290,211
Work in Progress (Te Rangi Whenua)		37,000	37,000	30,000	30,000	30,000	30,000
Total Fixed Assets		17,447,528	17,547,304	17,547,674	17,519,093	17,511,513	17,434,444
Other Non-Current Assets							
Intangible Assets - Software		22,923	32,860	20,361	27,752	42,998	34,681
Total Non-Current Assets	13	17,470,451	17,580,164	17,568,035	17,546,844	17,554,511	17,469,125
Total Assets		**18,419,820**	**18,331,886**	**18,285,410**	**18,394,584**	**18,555,260**	**18,745,825**
Current Liabilities							
Payables Under Exchange Transactions		235,880	160,000	160,000	160,000	160,000	160,000
Income Received in Advance)		45,710	45,834	30,000	30,000	30,000	30,000
Provisions			-	-	-	-	-
Employee Benefits		195,619	195,619	195,619	195,619	195,619	195,619
Interest Payable		-	-	-	-	-	-
GST Payable (Receivable)		44,193	55,000	55,000	55,000	55,000	55,000
Current Portion of Term Liabilities		-	-	-	-	-	-
Total Current Liabilities		521,402	456,453	440,619	440,619	440,619	440,619
Non-Current Liabilities							
Employee Benefits		3,266	3,366	3,266	3,266	3,266	3,266
Total Non-Current Liabilities		3,266	3,366	3,266	3,266	3,266	3,266
Total Liabilities		**524,668**	**459,819**	**443,885**	**443,885**	**443,885**	**443,885**
Equity							
Trust Equity		10,753,635	10,597,692	10,597,792	10,544,165	10,658,338	10,814,015
Retained Surplus Current Year		(155,841)	(12,112)	(53,627)	109,173	155,677	190,564
Asset Revaluation Reserve		7,073,192	7,073,191	7,073,191	7,073,191	7,073,191	7,073,191
Specific Reserves	15	213,293	213,296	213,296	213,296	213,296	213,296
Endowment Funds	15	10,873		10,874	10,874	10,874	10,874
Total Trust Funds		**17,895,152**	**17,872,067**	**17,841,525**	**17,950,699**	**18,111,375**	**18,301,940**
Total Liabilities and Trust Funds		**18,419,820**	**18,331,886**	**18,285,410**	**18,394,584**	**18,555,260**	**18,745,825**

e 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 $	2018/19 $	*2018/19* $ *as Dec 2018*	2019/20 $	2020/21 $	2021/22 $
Cash Flows from Operating Activities							
Cash was provided from:							
PNCC Grants		3,063,626	3,131,026	3,131,027	3,193,647	3,257,520	3,322,671
Fundraising Activities		231,402	303,000	150,667	355,000	355,000	365,000
Other Revenue		453,080	486,225	304,756	290,197	290,800	278,125
Interest		18,009	10,000	15,023	6,236	10,532	13,282
		3,766,117	3,930,251	3,601,473	3,845,080	3,913,852	3,979,078
Cash was disbursed to:							
Payroll		2,246,472	2,235,019	2,067,693	2,269,227	2,301,550	2,327,501
Suppliers		1,347,743	1,507,856	1,372,218	1,221,727	1,211,334	1,242,677
Interest		-	-	-	-	-	-
GST		-7,651	-	(10,807)	-	-	-
Net Change in working Capital		-	(96,860)	-	-		
		3,586,564	3,646,015	3,429,103	3,490,954	3,512,885	3,570,178
Net Cash Flows from Operating Activities*		179,553	**284,236**	**172,370**	**354,126**	**400,968**	**408,900**
Cash Flows from Investing Activities							
Cash was provided from:							
Sale of Assets		-	-	-	-	-	-
Reduction in reserves		-	-	3	-		
Cash was disbursed to							
Change in short Term Investments		12,039	8,725	(140,523)	106,236	210,532	13,282
Purchase of Intangible Assets - Software		1,771	20,000	5,000	16,000	24,000	-
Purchase of Leasehold Improvements				11,443	-	16,000	-
Purchase of Information Technology		347,723	28,000	33,688	56,770	25,600	27,000
Purchase of Exhibitions			136,141	43,215	9,000	91,800	30,000
Purchase of Furniture & Fittings			2,000	14,180	23,014	35,558	20,950
Purchase of Plant & Equipment			108,932	117,028	93,978	30,000	5,000
Purchase of Collection Assets		55,683	25,000	25,000	25,000	25,000	50,000
Work in Progress			-	30,000		-	-
		417,216	328,798	139,030	329,998	458,490	146,232
Net Cash Flows from Investing Activities		(417,216)	**(328,798)**	**(139,030)**	**(329,998)**	**(458,490)**	**(146,232)**
Net Increase/(Decrease) in Cash Held	**14**	(237,663)	(44,562)	33,339	24,128	(57,522)	262,668
Opening Cash Balances		591,347	316,684	353,684	387,023	411,151	353,629
Closing Total Cash Balances		353,684	**272,122**	**387,023**	**411,151**	**353,629**	**616,297**

* In accordance with generally accepted accounting practice, the cash inflow from grants to fund capital expenditure is disclosed under Cash Flows from Operating Activities, whilst the application of cash to fund capital expenditure is disclosed under Cash Flows from Investing Activities.

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

Notes to the 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 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 not large, 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.

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

There are no standards, amendments, and interpretations issued that are not yet effective and 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 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.

i. 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.

ii. 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.

iii. 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.

iv. 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 and Equipment	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 January 2018. The 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. The Trust's policy is to revalue the Heritage Collection assets every five 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, 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.

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 30 June 2017.

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 2001. 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 span over 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.

(v) Other Disclosures

The **draft** prospective financial statements have been authorised by the Board for delivery to the Palmerston North City Council on 28 February 2019. 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.