



## **Tasman Bays Heritage Trust**

### **Annual Report**

**1 July 2006 – 30 June 2007**



**SS Arahura Leaving Nelson (Pre-1910)  
F N Jones Collection**

## **Chairperson's Report to Tasman Bays Heritage Trust 1 July 2006 to 30 June 2007**

Again this has been a year of some turbulence.

The constant media scrutiny and unhelpful comments from some quarters often made our everyday operation extremely difficult and the Trust was frequently forced to spend its time 'fighting bushfires' rather than concentrating on core business. The need to resolve financial issues with our shareholders also absorbed a great deal of trustees' time and effort leaving little energy to be visionary about the museum's future.

However, thanks to the hard work of a number of people we have come through this testing period and, although looking slimmer and slightly unsteady at times, we have survived. This has not been without impact on both staff and trustees – the lean model will have repercussions into the future as our ability to deliver on various outcomes is affected.

It was disappointing once again for the audited accounts to take so long to come through – now that we have reached the milestone of having in-house accounting services I am hopeful that the process will be smoother, speedier and more satisfactory.

On the positive side it is encouraging to see the improvement in communication and relationships with our shareholding councils – as a Council Controlled Organisation it is vital that direct communication and open dialogue are fostered and expanded. We are, after all, all part of the same team.

In April we saw the departure of our Chief Executive, Wayne Marriott, as he took up a position in the Middle East. It was my pleasure to work with Wayne for almost 5 years and I found him a stimulating and highly skilled person and I believe that history will show that the region owes a debt of gratitude to Wayne for playing a leading role in bringing the TA445 project to completion.

The subsequent appointment of Bob (R G) Dickinson as Chief Executive will take us into a new stage of the museum's development. Bob's experience and skills will be an enormous asset to the organization into the future. We are fortunate that our organisation attracts people of this calibre.

The year has also brought the excitement of the da Vinci exhibition, due to open at the museum in November. Massive amounts of voluntary time and effort have gone into this project from trustees and allied groups – without the generous support and enthusiasm of the Cawthron this exhibition would be only a dream for Nelson. In addition, without the driving energy and skill of Sara Chapman and Robin Whalley, the community support needed would not have materialized. Well done all – your community is in for a real treat.

As this is my final year on the Trust I would once again extend my heartfelt gratitude firstly to Trustees who have remained solid through the good times and the bad. Without such support

it would have been impossible for me to continue as chairperson for what is now 7 years. I have valued your professional approach to the task and have appreciated your friendship and camaraderie.

To staff, who bore the public scrutiny, and some unfounded criticism, with great professionalism, I extend my thanks also. You have shown that even with reduced resources and under duress, this museum can really 'deliver the goods'.

My personal thanks also to Cathy Knight who has been a dedicated part of the team from the beginning, giving professional and personal support to staff, trustees and the project management team.

With such a strong team still in place, I look forward to seeing a great improvement in some perceptions of the museum – the message which really needed to be sent was that this is a regional museum (and an excellent one), owned by and for the residents by their councils. A museum does not necessarily return a financial dividend but offers a dividend of quite a different nature. The recognition and acknowledgment of our history is a vital factor in a maturing society – a museum provides a vehicle for such recognition along with the ability to build bridges across cultures and customs and to demonstrate pride in who we are and how we got here.

There is still much to do and I wish the Trust every success in progressing its goals of preserving and protecting the region's heritage and in securing the means and support to achieve those goals.

I am proud beyond words to have been part of the team which has achieved another step in this important task for the people of this region.

Patricia K O'Shea  
Chairperson  
Tasman Bays Heritage Trust

## **Report of Chief Executive For year 1 July 2006 to 30 June 2007**

This year has been dominated by financial difficulties and the Museum's efforts to reduce costs and secure additional funding.

Following a major organisation review it was decided to reduce staff numbers and also hours worked by a number of previously full time staff. This review was naturally a stressful time for staff and we are most appreciative of staff support and loyalty following this review.

As a result of the review the Trust made the decision to operate the IseI research facility with restricted public access.

The Museum also operated for several months of the year without a Chief Executive.

### **Exhibitions**

In spite of these difficulties the Museum successfully hosted a number of special exhibitions. These included:

- (a) "A 100 Summers" – a photographic display of our past.
- (b) "Protest" – displaying various forms of public protest in our region over the last 150 years.
- (c) "Clay" – featuring works from the region's very rich collection of Potters and Artisans.

### **Trustee Changes**

Mr Ray Caird resigned as a trustee in November 2006 and we record our appreciation of Ray's efforts over the last five years.

Ms Sara Chapman was appointed to the Trust in November 2006 and we welcome her to this position.

### **Statement of Intent / Strategic Plans**

During the period a new Statement of Intent and Strategic Plan was developed and agreed to with the key stakeholders.

### **Iwi Komiti**

The Trust would like to acknowledge the generous support of our partners – Ngati Kuia, Ngati Koata, Ngati Tama, Ngati Rarua, Ngati Toa Rangitira, and Te Atiawa. The Komiti met four times during the year and good progress was made.

### **Education**

We have been pleased to continue our successful contract with the Ministry of Education to provide Learning Outside the Classroom experiences. Over 7,000 school children attended this year, and our Nga Iwi programme has been a particular success.

### **Grants**

During the year the Trust gratefully received grants:

- (a) \$50,000 from the Canterbury Community Trust;
- (b) \$189,000 from NZ Lottery Grants Board (Environment and Heritage);
- (c) \$2,000 from Network Tasman Trust

These grants will greatly assist the Trust in caring for the Museum collection.

### **General**

My thanks to the Trustees and Staff for steering the Museum through a difficult year and consolidating its activities. We look forward to a less turbulent 2007/08 year and to the exciting Da Vinci Machine's exhibition.

**R G Dickinson**  
**Chief Executive**

v

**TASMAN BAYS HERITAGE TRUST**

v

**FINANCIAL STATEMENTS**

v

**FOR THE YEAR ENDED**

**30 JUNE 2007**

## Index to the financial statements

TRUSTEE DIRECTORY.....	3
STATEMENT OF FINANCIAL PERFORMANCE.....	4
STATEMENT OF CHANGES IN EQUITY .....	5
STATEMENT OF FINANCIAL POSITION .....	6
STATEMENT OF CASH FLOWS.....	7
NOTES TO THE FINANCIAL STATEMENTS.....	8
1 STATEMENT OF ACCOUNTING POLICIES .....	8
2 EXPLANATION OF TRANSITION TO NZ IFRS .....	12
3 OTHER REVENUE.....	14
4 FINANCE COSTS.....	14
5 OTHER EXPENSES .....	14
6 CASH AND CASH EQUIVALENTS .....	15
7 TRADE AND OTHER RECEIVABLES .....	15
8 PROPERTY, PLANT AND EQUIPMENT.....	16
9 TRADE AND OTHER PAYABLES.....	17
10 BORROWINGS.....	17
11 RECONCILIATION OF EQUITY .....	18
12 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES.....	18
13 COMMITMENTS AND OPERATING LEASES .....	19
14 CONTINGENCIES.....	19
15 RELATED PARTY TRANSACTIONS.....	19
16 EVENTS AFTER THE BALANCE SHEET DATE.....	19
17 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES .....	20
18 FINANCIAL INSTRUMENT RISKS.....	20
19 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET .....	21
20 STATUTORY REPORTING DEADLINE.....	21
21 PERFORMANCE INFORMATION .....	21

## **Trustee Directory**

Patricia O'Shea (appointed September 2000) Chairperson to 30 June 2007  
Robin Whalley (appointed September 2000) Chairperson from 1 July 2007  
Mike Johnston (appointed September 2000)  
Mairangi Reiher (appointed March 2001)  
Annette Walker (appointed May 2002)  
Hamish Neale (appointed December 2005)  
Sara Chapman (appointed November 2006)

### **Trust Secretary**

Cathy Knight

### **Registered Office**

Cnr Trafalgar and Hardy Street  
Nelson

### **Chief Executive**

Wayne Marriott (resigned April 2007)  
Bob Dickinson (appointed September 2007)

### **Bankers**

Nelson Building Society

### **Auditors**

Audit New Zealand on behalf of the Auditor General

### **Solicitor**

Hunter Ralfe

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Actual 2007	Budget 2007	Actual 2006
<b>Income</b>				
Council operating grants		1,244,823	1,131,600	725,335
Interest		12,281	-	20,670
Donated assets	-	-	-	906,210
Contracts		107,942	105,000	108,393
Other revenue	<b>3</b>	230,414	348,132	321,309
Fair Value Adjustment to Loans		-	-	663,002
<b>Total income</b>		<b>1,595,460</b>	<b>1,584,732</b>	<b>2,744,919</b>
<b>Expenses</b>				
Advertising and marketing costs		8,070	15,000	2,962
Employee benefit costs		740,132	736,698	1,012,660
Depreciation expense		372,376	332,650	223,778
Purchases		12,556	10,800	45,864
Finance costs	<b>4</b>	354,630	258,773	168,810
Property costs		168,351	165,276	280,211
Feasibility study		-	-	172,659
Other expenses	<b>5</b>	272,202	406,824	220,403
<b>Total expenses</b>		<b>1,928,317</b>	<b>1,926,021</b>	<b>2,127,347</b>
<b>Surplus/(deficit) attributable to the Trust</b>		<b>(332,857)</b>	<b>(341,289)</b>	<b>617,572</b>

*The accompanying notes form part of these financial statements.*

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

	<b>Note</b>	<b>Actual 2007</b>	<b>Actual 2006</b>
<b>Balance at 1 July</b>		15,066,786	13,321,655
Surplus/(deficit) for the year		(332,857)	617,572
Total recognised income /(expense) for the year ended 30 June attributable to the Trust		(332,857)	617,572
Land & Building Revaluation		-	1,127,559
<b>Balance at 30 June</b>	<b>11</b>	<b>14,733,929</b>	<b>15,066,786</b>

*The accompanying notes form part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2007**

	Note	Actual 2007	Actual 2006
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	323,765	(43,036)
Trade and other receivables	7	9,805	34,387
Inventories		19,065	13,313
Total current assets		352,635	4,664
<b>Non-current assets</b>			
Property, plant and equipment	8	19,048,470	19,416,996
Total non-current assets		19,048,470	19,416,996
<b>Total assets</b>		<b>19,401,105</b>	<b>19,421,660</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	74,315	241,539
Employee benefit liabilities		21,861	71,378
Borrowings	10	-	2,294,151
Total current liabilities		96,176	2,607,068
<b>Non-current liabilities</b>			
Borrowings	10	4,571,000	1,747,806
Total non-current liabilities		4,571,000	1,747,806
<b>Total liabilities</b>		<b>4,667,176</b>	<b>4,354,874</b>
<b>Net Assets</b>		<b>14,733,929</b>	<b>15,066,786</b>
<b>Trust equity</b>			
Retained earnings		13,499,418	13,821,161
Revaluation reserve – land and buildings		1,127,559	1,127,559
Museum reserves		106,952	118,066
<b>Total equity attributable to the Trust</b>	<b>11</b>	<b>14,733,929</b>	<b>15,066,786</b>

Authorised for Issue on Behalf of the Trust by:

---



---

R Whalley  
Chairperson

Date: 14 November 2007

*The accompanying notes form part of these financial statements.*

R G Dickinson  
Chief Executive

Date: 14 November 2007

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Actual 2007	Actual 2006
<b>Cash flows from operating activities</b>			
Council operating grants		1,244,823	725,335
Contracts		107,942	108,393
Interest received		12,281	20,670
Receipts from other revenue		320,296	409,896
Payments to suppliers and employees		(1,431,156)	(1,698,173)
Interest paid		(242,684)	(168,810)
Goods and services tax (net)		13,619	(147,914)
Net cash from operating activities	<b>12</b>	<u>25,121</u>	<u>(750,603)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(75,417)	(2,422,279)
Net cash from investing activities		<u>(75,417)</u>	<u>(2,422,279)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		425,848	2,225,000
Repayment of borrowings		(8,751)	(140,080)
Net cash from financing activities		<u>417,097</u>	<u>2,084,920</u>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		366,801	(1,087,962)
Cash, cash equivalents and bank overdrafts at the beginning of the year		(43,036)	1,044,926
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>		<u><b>323,765</b></u>	<u><b>(43,036)</b></u>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

*The accompanying notes form part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Statement of significant accounting policies for the year ended 30 June 2007

### Reporting Entity

The Tasman Bays Heritage 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 Nelson City Council and Tasman District 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 the Board of Trustees.

The primary objective of the Trust is to foster, promote, and celebrate a sense of history and awareness of the importance of the region's heritage and identity, and the relationship of the Tangata Whenua to their taonga. Accordingly, the Trust has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Trust are for the year ended 30 June 2007.

### Basis of preparation

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).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and surplus/(deficit) for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of the transition to NZ IFRS.

The financial statements have been prepared on a historical cost basis, except for land and buildings which are carried at fair value.

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.

### *Standards and interpretations issued but not yet effective*

There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that the Trust has not yet applied other than NZ IFRS 7 Financial Instruments Disclosures.

### Revenue

Revenue is measured at the fair value of consideration received.

#### *Grants*

Grants received from the Nelson City and Tasman District Councils 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 deed. The Trust also receives other government assistance for specific purposes, and these grants usually contain restrictions on their use.

Council, government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

#### *Other revenue*

Where a physical asset is donated or vested in the Trust for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Trust are recognised as revenue when control over the asset is obtained.

Interest income is recognised using the effective interest method.

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.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**Income Tax**

The Trust has been granted Charitable status by the Inland Revenue Department, and therefore is exempt from income tax.

**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, the Trust recognises finance leases 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 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 statement of financial performance 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 shown within borrowings as a current liability in the statement of financial position.

**Trade and other receivables**

Trade 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 receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

**Inventories**

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value.

The cost of the inventory is determined using the FIFO method.

The write down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance.

**Investments**

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

At each balance sheet date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the statement of financial performance.

**Property, plant and equipment**

Property, plant and equipment are shown at cost, with the exception of land and buildings, less accumulated depreciation and impairment losses.

#### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or 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 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 included in the statement of financial performance.

#### *Subsequent costs*

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

#### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office furniture and equipment	5-10 years	(10% - 20%)
Exhibits and collections		
Exhibitions fitout	14 years	(7%)
Plant and equipment	3-14 years	(7% - 33.3%)
Buildings	9-40 years	(2.5% - 11%)

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

Exhibits and collection assets are very long lived and the Trust endeavours to maintain them in perpetuity. The residual value of these assets remains high relative to their gross carrying value. Given these matters, depreciation accounting is not applied on the grounds of materiality on the basis that depreciation, if any, is minimal. The Trustees review collection and exhibit assets each balance date and should any impairment be identified the write down is recognised immediately through the Statement of Financial Performance.

#### *Revaluation*

The Trust revalues its land and buildings to fair value every three years or more frequently if it has been determined that there is a material difference to their carrying value.

### **Intangible assets**

#### *Software acquisition*

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

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

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

#### *Amortisation*

Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the statement of financial performance.

### **Impairment of non-financial assets**

Assets with 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 is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written

down to the recoverable amount. The total impairment loss is recognised in the statement of financial performance.

### **Employee benefits**

#### *Short-term benefits*

Employee benefits that the Trust expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Trust recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Trust anticipates it will be used by staff to cover those future absences.

### **Provisions**

The Trust recognises a provision 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 as a finance cost.

### **Borrowings**

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

### **Good and Service Tax (GST)**

All items in the financial statements are stated exclusive of GST, except for 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.

### **Budget figures**

The budget figures are those approved by the Trustees at the beginning of the year in the statement of intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Trust for the preparation of the 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 the subsequent actual results. Estimates and judgements 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*

At each balance date the Trust reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors such as 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 statement of financial performance, and 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 programs;
- 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.

The carrying amounts of property, plant and equipment are disclosed in note 8.

### **Critical judgements in applying the Trust's accounting policies**

The Trustees must exercise their judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

## **2 Explanation of transition to NZ IFRS**

### **Transition to NZ IFRS**

The Trust's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS. The Trust has applied NZ IFRS 1 in preparing these financial statements. The Trust's transition date is 1 July 2005 and the opening NZ IFRS balance sheet has been prepared at that date. The Trust's NZ IFRS adoption date is 1 July 2006.

In preparing these financial statements in accordance with NZ IFRS 1, the Trust has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

### **Exemptions from full retrospective application elected by the Trust**

The Trust has not applied any exemptions to full retrospective application of NZ IFRS.

The only mandatory exception from retrospective application that applies to the Trust is the requirement for estimates under NZ IFRS at 1 July 2005 and 30 June 2006, being consistent with estimates made for the same date under previous NZ GAAP.

### **Reconciliation of Trust equity**

The following table shows the changes in Trust equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

	Note	1 July 2005			30 June 2006		
		Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents		34,926	-	34,926	(43,036)	-	(43,036)
Trade and other receivables		79,356	-	79,356	34,387	-	34,387
Inventories		99	-	99	13,313	-	13,313
Investments		1,010,000	-	1,010,000	-	-	-

	Note	1 July 2005			30 June 2006		
		Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
Total current assets		1,124,381	-	1,124,381	4,664	-	4,664
<b>Non-current assets</b>							
Property, plant and equipment		15,714,636	-	15,714,636	19,416,996	-	19,416,996
Total non-current assets		15,714,636	-	15,714,636	19,416,996	-	19,416,996
<b>Total assets</b>		<b>16,839,017</b>	<b>-</b>	<b>16,839,017</b>	<b>19,421,660</b>	<b>-</b>	<b>19,421,660</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Trade and other payables		825,728	-	825,728	241,539	-	241,539
Employee benefit liabilities		71,594	-	71,594	71,378	-	71,378
Borrowings		1,860,417	-	1,860,417	2,294,151	-	2,294,151
Total current liabilities		2,757,739	-	2,757,739	2,607,068	-	2,607,068
<b>Non-current liabilities</b>							
Borrowings	a	897,400	(137,777)	759,623	2,548,585	(800,779)	1,747,806
Total non-current liabilities		897,400	(137,777)	759,623	2,548,585	(800,779)	1,747,806
<b>Total liabilities</b>		<b>3,655,139</b>	<b>(137,777)</b>	<b>3,517,362</b>	<b>5,155,653</b>	<b>(880,779)</b>	<b>4,354,874</b>
<b>Equity</b>							
Retained earnings		13,033,077	137,777	13,170,854	13,020,382	800,779	13,821,161
Revaluation reserve – land and buildings		-	-	-	1,127,559	-	1,127,559
Museum Reserves		150,801	-	150,801	118,066	-	118,066
<b>Total equity attributable to the Trust</b>		<b>13,183,878</b>	<b>137,777</b>	<b>13,321,655</b>	<b>14,266,007</b>	<b>800,779</b>	<b>15,066,786</b>

## Explanatory notes – Reconciliation of equity

### a. Borrowings

Under previous NZ GAAP loans at below market interest rates were recognised at the original loan principal amount, less any loan repayments made. NZ IAS 39 requires loans to be initially recognised at fair value and subsequently measured at amortised cost. In accordance with NZ IAS 39 loans at below market interest rates have been valued at the net present value of expected future repayments, using market interest rates for instruments with a similar credit rating as the discount factor. The effect of this has been a reduction in the loan carrying value.

### Reconciliation of surplus for the year ending 30 June 2006

The following table shows the changes in the Trust surplus, resulting from the transition from previous NZ GAAP to NZ IFRS for the year ending 30 June 2006.

	Note	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
<b>Income</b>				
Council operating grants		725,335	-	725,335
Interest		20,670	-	20,670
Donated Assets		906,210	-	906,210
Contracts		108,393	-	108,393
Other Revenue		321,309	-	321,309
Fair Value Adjustment to Loans	a	-	663,002	663,002
<b>Total income</b>		<b>2,081,917</b>	<b>663,002</b>	<b>2,744,919</b>
<b>Expenses</b>				
Advertising and marketing costs		2,962	-	2,962
Employee benefit costs		1,012,660	-	1,012,660
Depreciation Expense		223,778	-	223,778
Purchases		45,864	-	45,864
Finance Costs		168,810	-	168,810
Property Costs		280,211	-	280,211
Feasibility Study		172,659	-	172,659
Other expenses		220,403	-	220,403
<b>Total expenses</b>		<b>2,127,347</b>		<b>2,127,347</b>
<b>Surplus/(deficit) attributable to the Trust</b>		<b>(45,430)</b>	<b>663,002</b>	<b>617,572</b>

### Explanatory notes - Reconciliation of surplus

#### a. Finance costs

Under NZ IFRS loans at nil interest are subsequently measured at amortised cost using the effective interest method. The effective interest method allocates interest expense over the life of the loan to the statement of financial performance. No interest was recognised on loans at nil interest under previous NZ GAAP.

### Statement of cash flows

There have been no material adjustments to the statement of cash flows for the year ended 30 June 2006, on transition to NZ IFRS.

## 3 Other revenue

	Actual 2007	Actual 2006
Donations	50,366	56,094
Grants	117,000	178,000
Sales	47,274	69,939
Other Revenue	15,774	17,276

Total other revenue	230,414	321,309
---------------------	---------	---------

#### 4 Finance costs

	<b>Actual 2007</b>	<b>Actual 2006</b>
Bond Interest	9,958	10,336
Bank of New Zealand	21,178	158,474
Nelson Building Society *	211,548	-
Nelson City Council and Tasman District Council *	111,946	-
Total finance costs	354,630	168,810

\* For further information refer to Note 10.

#### 5 Other expenses

	<b>Actual 2007</b>	<b>Actual 2006</b>
Exhibition expenses	60,592	18,403
Audit fees for financial statement audit	15,000	5,910
Audit fees for NZ IFRS transition	3,000	-
Additional audit fees 2006	18,692	-
Other	174,918	196,090
Total other expenses	272,202	220,403

#### 6 Cash and cash equivalents

	<b>Actual 2007</b>	<b>Actual 2006</b>
Cash at bank and on hand	8,937	950
Short-term deposits maturing three months or less from date of acquisition	314,828	-
Total cash and cash equivalents	323,765	950

Bank overdrafts	- (43,98 6)
Net cash, cash equivalents and bank overdrafts for the purposes of the statement of cash flows.	323,76 (43,03 5 6)

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

### **7 Trade and other receivables**

	<b>Actual 2007</b>	<b>Actual 2006</b>
Gross trade and other receivables	9,805	32,172
Prepayments	-	2,215
Less provision for impairment	-	-
Total trade and other receivables	9,805	34,387

The carrying value of receivables approximates their fair value.

## 8 Property, plant and equipment

	Land and Buildings	Plant and Equipment	Exhibition Fit-Out	Office Furn and Equipment	Exhibition and Collections	WIP	Total
<b>Cost</b>							
Balance at 1 July 2006	8,480,000	623,845	324,347	134,309	9,958,680	-	19,521,181
Additions	-	3,850	-	-	-	-	3,850
Balance at 30 June 2007	8,480,000	627,695	324,347	134,309	9,958,680	-	19,525,031
Balance at 1 July 2005	3,703,110	149,261	-	166,027	8,629,831	3,518,347	16,166,576
Additions	1,226,278	505,060	-	29,074	1,210,833	-	2,971,245
Disposals	(172,666)	(33,322)	-	(60,792)	-	-	(266,780)
Allocation of WIP	3,397,485	2,846	-	-	118,016	(3,518,347)	-
Transfers	(324,347)	-	324,347	-	-	-	-
Net adjustment from revaluation	650,140	-	-	-	-	-	650,140
Balance at 30 June 2006	8,480,000	623,845	324,347	134,309	9,958,680	-	19,521,181
<b>Depreciation</b>							
Balance at 1 July 2006	-	52,155	21,623	30,407	-	-	104,185
Charge for the year	260,898	73,962	21,623	15,893	-	-	372,376
Balance at 30 June 2007	260,898	126,117	43,246	46,300	-	-	476,561
Balance at 1 July 2005	335,849	45,244	-	70,847	-	-	451,940
Charge for the year	141,570	40,233	21,623	20,352	-	-	223,778
Revaluation adjustments	(477,419)	-	-	-	-	-	(477,419)
Disposals	-	(33,322)	-	(60,792)	-	-	(94,114)
Balance at 30 June 2006	-	52,155	21,623	30,407	-	-	104,185
<b>Carrying amounts</b>							
At 1 July 2005	3,367,261	104,017	-	95,180	8,629,831	3,518,347	15,714,636
At 30 June and 1 July 2006	8,480,000	571,690	302,724	103,902	9,958,680	-	19,416,996
At 30 June 2007	8,219,102	501,578	281,101	88,009	9,958,680	-	19,048,470

Land and Buildings were valued at fair value using an optimised depreciated replacement cost methodology by independent valuers Telfer Young (Nelson) Limited. The valuation is effective as at 30 June 2006.

## 9 Trade and other payables

	<b>Actual 2007</b>	<b>Actual 2006</b>
Trade payables	71,178	223,709
Other payables	3,137	17,830
Total trade and other payables	<u>74,315</u>	<u>241,539</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

## 10 Borrowings

	<b>Actual 2007</b>	<b>Actual 2006</b>
<b>Current</b>		
Bank of New Zealand loan	-	2,294,151
Total current borrowings	<u>-</u>	<u>2,294,151</u>
<b>Non-current</b>		
Loans from Nelson City Council and Tasman District Council	1,711,167	1,599,221
Nelson Building Society loan	2,720,000	-
Heritage Bonds	139,833	148,585
Total non-current borrowings	<u>4,571,000</u>	<u>1,747,806</u>

### Loans from Nelson City Council, Tasman District Council and Nelson Building Society

The Trust's loan from Tasman District Council with a face value of \$1,200,000 (2006 - \$1,200,000) is issued at a nil interest rate. Maturity date is 30 June 2012 with another review at the end of that period.

The Trust's loan from Nelson City Council with a face value of \$1,200,000 (2006 - \$1,200,000) is issued at a nil interest rate. Maturity date is 30 June 2012 with another review at the end of that period.

The Trust's loan from Nelson Building Society, with a face value of \$2,720,000, is issued for an eight year term, interest-only for the first three years.

### Security

The loans from Nelson City Council and Tasman District Council are unsecured.

The loan from Nelson Building Society is secured by mortgage over Trust property.

### Maturity Analysis and Effective Interest Rates

The following is a maturity analysis of the Trust's borrowings. There are no early repayment options.

#### 2007

Less than one year	nil
Later than one year but not more than five years	\$2,539,833
Later than five years	\$2,720,000

#### 2006

Less than one year	\$2,294,151
Later than one year but not more than five years	\$2,548,606

Later than five years nil

**Fair values of non-current borrowings**

The fair values of non-current borrowings are \$4,571,000 (2006 - \$1,747,806)

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.0% (2006 7.0 %)

The carrying amounts of borrowings repayable within one year approximate their fair value.

**11 Reconciliation of equity**

	<b>Actual 2007</b>	<b>Actual 2006</b>
<b>Museum Reserves</b>		
Opening balance	118,066	150,801
Transfers to retained earnings	(11,114)	(32,735)
Closing balance	106,952	118,066
<b>Revaluation Reserve</b>		
Opening balance	1,127,559	-
Revaluation gains	-	1,127,559
Closing balance	1,127,559	1,127,559
<b>Retained earnings</b>		
Balance at 1 July	13,821,161	13,170,854
Surplus/(deficit) for the year	(332,857)	617,572
Transfers from museum reserves	11,114	32,735
Balance at 30 June	13,499,418	13,821,161

**12 Reconciliation of net surplus/ (deficit) after tax to net cash from operating activities**

	<b>Actual 2007</b>	<b>Actual 2006</b>
<b>Surplus/(deficit)</b>	(332,857)	617,572
<b>Add/(less) non-cash items:</b>		
Fair value adjustments to loans	111,946	(663,002)
Depreciation expense	372,376	223,778
Donated assets income	-	(906,210)
<b>Add/(less) movements in working capital items:</b>		
Trade and other receivables	35,716	(542,766)
Inventories	(5,752)	(13,214)
Trade and other payables	(106,791)	533,023

	<b>Actual 2007</b>	<b>Actual 2006</b>
Employee benefits	(49,517)	216
<b>Net cash from operating activities</b>	<b>25,121</b>	<b>(750,603)</b>

### 13 Commitments and operating leases

	<b>Actual 2007</b>	<b>Actual 2006</b>
<b>Commitments</b>		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	-	-

#### Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	<b>Actual 2007</b>	<b>Actual 2006</b>
Not later than one year	12,853	Nil
Later than one year and not later than five years	5,778	Nil

This contract is for Vidcom (at TA 445). There are no restrictions placed on the Trust by any of its leasing arrangements.

### 14 Contingencies

#### Contingent liability

The Trust has no contingent liabilities (2006 – nil)

#### Contingent assets

The Trust has no contingent assets (2006 – nil).

### 15 Related party transactions

The Trust was settled by Nelson City Council and Tasman District Council and receives a significant amount of operating grants from the Councils to deliver its objectives as specified in the Trust deed. Nelson City Council and Tasman District Council are the ultimate controlling parties of the Trust.

*The following transactions were carried out with related parties during the year:*

**Nelson City Council** contributed \$624,525 (2006 - \$368,752) and **Tasman District Council** contributed \$620,298 (2006 - \$356,583) towards the operating funding of the Trust.

There were no outstanding balances at balance date.

No provision has been required, nor any expense recognised for impairment of receivables from related parties (2006 \$nil).

#### **Key Management Personnel Compensation**

Key Management Personnel includes the Trustees and the Chief Executive Officer.

	<b>Actual 2007</b>	<b>Actual 2006</b>
Salaries and other short term employee benefits	118,138	90,000

#### **16 Events after the balance sheet date**

There were no significant events after the balance sheet date.

## 17 Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	<b>Actual 2007</b>	<b>Actual 2006</b>
<i>Loans and receivables</i>		
Cash and cash equivalents (see Note 6)	323,765	-
Trade and other receivables (see Note 7)	9,805	34,387
Total loans and receivables	333,570	34,387
<i>Financial liabilities measured at amortised cost</i>		
Trade and other payables	74,315	241,539
Bank overdraft (note 10)	-	43,036
Unsecured loans from Nelson City and Tasman District Councils (note 10)	1,711,167	1,599,221
BNZ loan	-	2,294,151
NBS loan (secured)	2,720,000	-
Heritage Bonds	139,833	148,585
Total financial liabilities measured at amortised cost	4,645,315	4,326,532

## 18 Financial instrument risks

The Trust is risk averse and seeks to minimise exposure from its treasury activities. The Trust has established Borrowing and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk

The Trust's borrowings are disclosed in note 10.

#### *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits.

#### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Trust to cash flow interest rate risk.

The Trust's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

The Trust currently has no variable interest rate debt or investments.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is not exposed to currency risk, as it does not enter into foreign currency transactions.

### Credit risk

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss.

Due to the timing of its cash inflows and outflows, the Trust invests surplus cash with registered banks. The Trust's Investment policy limits the amount of credit exposure to any one institution.

The Trust's maximum credit exposure for each class of financial instrument is represented by the total carrying amount cash equivalents (note 6) and gross trade receivables (note 7). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Trust has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

#### **Liquidity risk**

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Trust aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Trust maintains a target level of investments that must mature within specified timeframes.

The Trust manages its borrowings in accordance with its Borrowing policy.

## **19 Explanation of significant variances against budget**

Explanations for significant variations from the Trust's budgeted figures in the 2006/2007 statement of intent are as follows:

#### **Statement of financial performance**

There are no significant variances against the prospective statement of financial performance, except finance costs have increased in 2007 due to the NZ IFRS adjustment per note 2.

## **20 Statutory Reporting Deadline**

Section 67 of the Local Government Act 2002 requires a Council Controlled Organisation to complete its annual report within three months after the end of the financial year. This deadline was not met.

## **21 Performance information**

During the period the Museum encountered financial difficulties and was without a Chief Executive for five months. 21 of the 47 originally proposed performance objectives were fully achieved. These are listed below:

<b>Performance Target</b>	<b>Result</b>
1. Museum open 363 days/year	Yes, open 363 days
2. Museum to attract 75,000 visitors/year	Not achieved (37,587 visitors)
3. Develop Membership Programme for the community	Not achieved.
4. Formalise FO TA445 group by 10/12/06	Not achieved.
5. Generate sponsorship, collection donations, and additional grant income to exceed \$100,000	Not achieved
6. Meet Councils' heritage staff re Regional Heritage Policy development	Yes
7. Hold discussions with Tangata Whenua re ongoing care of and access to taonga Maori.	Yes
8. Meet with Iwi Liaison Komiti not less than four times	Yes

9. Complete Memorandum of Understanding with Tangata Whenua	Yes, MOU signed on 14 April 2007.
10. Operate within Annual Budget	Not achieved
11. Ensure draft budgets for 2007/08 and 2008/09 are accurate	Yes
12. Review annual staff performance process by 31/3/07	Not achieved
13. Increase retail revenue 10%; receive \$20,000 from art sales	Not achieved
14. Sales from Isel research and collection to exceed \$20,000/year	Not achieved
15. Develop digitisation project plan and funding by 31 March 2007	Yes
16. Review Trust policies including delegated authority, staff induction, house rules, and communication policies by 31/3/07	Partly achieved - Delegated authority policy reviewed.
17. Complete and finalise annual draft business plan by 28/2/07	Not achieved
18. Submit four grant applications for research, exhibition development and education projects totalling \$100,000 by 30/6/07	Yes – grant applications totalling \$317,095 were applied for
19. Develop and display 5 exhibitions receiving \$30,000 donations	Yes, donations for year were \$50,366
20. Deliver monthly Board papers four days before meetings	Not achieved
21. Review OSH Committee, with monthly checks	Not achieved
22. Explore options and establish an Endowment Trust by 25/02/07 and launch by 17/05/07	Not achieved
23. Facilitate access to the collections through satisfying information requests at not less than 80% within 21 days	Yes
24. Review 25,000 collection entries on computerised collection management system	Not achieved
25. Generate at least four internal exhibitions/year	Yes – exhibitions were "Sole Obsession", "Clay", "Maungatapu Murderers", "100 Summers"
26. Seek external funding for projects relating to care of Museum collection from three bodies	Yes – funding received from CCT (\$50,000), Lotteries & Heritage (\$189,595), Network Tasman Trust (\$2,000)
27. Continue to explore partnerships with community for development of regional library, archive, photographic and regional storage facility	Not achieved
28. Review Accession, Deaccession, and Collection policies	Yes
29. Review in-house cleaning guide to exhibitions	Yes
30. Refresh permanent exhibition at not less than 3-monthly intervals	Not achieved
31. Present one externally sourced exhibition by 30 June 2007	YES
32. Maintain non-gallery spaces to high standard	Yes – Nelson Yacht Club Anniversary display, and St John's Anniversary display.
33. Develop long term programme of special exhibitions by 31/12/06	Not achieved
34. Develop relationship with schools and youth groups	Yes – via LEOTC contract with Ministry of Education and with the LEOTC Reference Group (comprises principals of schools in region)
35. Develop eight mini-window displays for TA 445	Yes
36. Produce and develop Museum's quarterly newsletter	Not achieved
37. Review Strategic Plan by 30/11/06	Not achieved

38. Annual survey on general visitor satisfaction	Not achieved
39. Survey specific exhibitions during year	Not achieved
40. Further develop and administer Museum website	Not achieved
41. Finalise Volunteer Handbook by 30/6/07	Not achieved
42. Develop Volunteer programme to provide 1500 hours/year	Yes
43. Provide educational programmes involving LEOTC for 6,000 students	Yes – 7041 pupils attended
44. Organise 20 events with guest speakers/public lectures	Not achieved
45. Organise two community programmes to support Professional Development of regional museum colleagues	Yes, in conjunction with Te Papa National Services
46. Develop Outreach Policy for Regional Museums and heritage organisations by 30 June 2007.	Not achieved.

The 2007/2008 Statement of Intent incorporates a modest number of performance indicators which focus on the key deliverables of the Trust.