



Tasman Bays Heritage Trust

Annual Report

1 July 2007 – 30 June 2008



**Totara Chiffonier made by Nelson cabinet maker
Samuel Johnson (1835-1906)
NPM 2008.52**

Tasman Bays Heritage Trust Eighth Annual Report to Stakeholders

It is my pleasure to present to you this Eighth Annual Report of the Trust.

Following the departure of Wayne Marriott in June 2007 the Board appointed Mr R G (Bob) Dickinson who commenced his role on 1 September 2007.

Bob did a tremendous amount of work developing systems and reporting protocols for the board, as well as cementing in place a number of successful relationships with key stakeholders.

In March 2008 Bob advised the Board that he wished to pursue other options and tendered his resignation with effect from 30 June 2008. This was accepted with regret by the Board, however we understood Bob's position and wish both he and Jill all the best for the future.

The key matter before the Board is that of an archives and research facility for the safe storage of the Museum's collections while ensuring public access. This matter is now becoming increasingly pressing issue that needs the Board and Councils' urgent attention. Currently, the collection is stored at Isel Park, Founders Park, Tokomaru Place, and in containers on and off-site. The facilities for staff at Isel Park are unsatisfactory and public access is restricted.

During the year we have presented a number of excellent exhibitions, which Bob will report on.

Visitor numbers continue to rise and the new CEO appointment was made with public engagement as one of the Board's key appointment criteria. Our educational team host schools at the Museum throughout the year and the touring exhibitions are vital to our success. Through our contract with the Ministry of Education, almost 10,000 school pupils visited the museum and participated in various programmes.

The Board has met on 11 occasions throughout the year. In addition to the formal Board meetings there were meetings with the Iwi Komiti, and LEOTC reference group, and a newly established Exhibitions Advisory Committee. This is a very hard working and talented Board.

The rotation guidelines for Board vacancies prescribe that I am to be rotated off the Board this year. I have been a member of the Board since it was established in September 2000 and consequently I have decided to step down from the Board. It is healthy for organisations such as this to adapt and change, and bring in new blood and ideas.

I would like to express my sincere thanks and aroha to present and past Board members. It has been a memorable journey and I am tremendously pleased with what we have achieved, particularly in opening a facility in central Nelson for permanent and special exhibitions.

I would also like to make a special acknowledgment and thanks to Cathy Knight who has been invaluable in ensuring the smooth running of the Board, particularly during the demanding periods between CEOs.

Finally, a special thank you to the loyal, hardworking, talented, and stoical staff. I am very humbled by your loyalty and effort over many, and often difficult, years.

Robin Whalley
Chairperson
30 September 2008

TASMAN BAYS HERITAGE TRUST

Report of the Chief Executive Year Ended 30 June 2008

General

This year has been one of consolidation and good progress.

Permanent staff numbers were held at the reduced level and these were supplemented by short term contracts for specific tasks.

Exhibitions

The Museum successfully hosted a number of special exhibitions, and a particular highlight was the Da Vinci exhibition. This was an outstanding success with major corporate sponsorship covering basic exhibition costs, and the exhibition attracted 28,000 additional visitors. Da Vinci attracted a lot of favourable public feedback and this also helped lift the profile of the museum.

Other exhibitions included:

- Clay – celebrating the creative history of potter and pottery in Nelson
- Bedazzled – exploring the world of light and mirrors
- Seresin – Another View – vintage prints from world-renown photographers
- Nelson Tasman Chamber of Commerce – 150th celebration
- Unpicking the Past – revealing our dress collection

Trustees

There were no changes in Trustees during the year.

Iwi Komiti

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

The Komiti have agreed that the carvings from Te Awatea Hou be transferred to the Museum for restoration and future exhibition.

The Collection

During the year the Trustees created a significant Collection Reserve (primarily from the Da Vinci surplus), and this will be used in future to enhance the collection. Significant additions to the Collection include:

- (a) The Knapp Collection, which has been transferred from the Cawthron Institute. This collection has been catalogued and repackaged, and represents a significant collection of local area Maori artefacts/taonga.
- (b) The Eelco Boswijk Collection – a complete set of accounts and trading correspondence for a business that operated in the central city for 40 years.
- (c) The Trust purchased a key piece of colonial furniture, a Chiffonier made in the 1860's by Samuel Johnson, an early Nelson cabinet maker.
- (d) Bays Television film archives – a pictorial record of recent regional history. This was made possible by a grant from United Way.

Finances

The financial stability of the Museum improved significantly during the year and the operation was cashflow positive for the period. With careful cost management we were able to reduce our outstanding loans during the period.

Plant and Equipment

During the year the two Councils agreed to fund short life asset depreciation from 1 July 2008, and this will be extremely helpful in replacing worn equipment and maintaining our buildings.

The Trust upgraded and replaced its computer system during the year and this provided a major improvement in this increasingly important management tool.

During the period the Trust successfully negotiated a number of key supply contracts including a three year electricity deal which will control costs in this area.

Grants

During the year the Trust gratefully received the following grants:

- (a) \$70,000 from Canterbury Community Trust towards the Vernon project;
- (b) \$9,000 from Lion Foundation, towards the costs of Body in Action.

General

A special thanks to our loyal and hardworking trustees, staff and volunteers for their support and achievements during the year.

R G Dickinson
Chief Executive

TASMAN BAYS HERITAGE TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2008

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Trustee Directory

Patricia O'Shea (appointed September 2000, retired November 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

Bob Dickinson (appointed September 2007, resigned June 2008)
Cathy Knight (appointed acting CEO June 2008)

Bankers

Nelson Building Society

Auditors

Audit New Zealand on behalf of the Auditor General

Solicitors

Hunter Ralfe

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Actual 2008	Budget 2008	Actual 2007
Income				
Council operating grants		1,196,800	1,182,396	1,244,823
Interest		25,319	10,500	12,281
Contracts		129,344	129,000	107,942
Other revenue	2	740,917	430,940	230,414
Total income		2,092,380	1,752,836	1,595,460
Expenses				
Advertising and marketing costs		12,362	19,980	8,070
Employee benefit costs		726,320	716,364	740,132
Depreciation expense		407,286	282,538	372,376
Purchases		10,650	9,996	12,556
Finance costs	3	390,880	264,863	354,630
Property costs		127,431	143,912	168,351
Other expenses	4	533,678	569,120	272,202
Total expenses		2,208,607	2,006,773	1,928,317
Surplus/(deficit) attributable to the Trust		(116,227)	(253,937)	(332,857)

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	<u>Actual 2008</u>	<u>Actual 2007</u>
Balance at 1 July		14,733,929	15,066,786
Surplus/(deficit) for the year		(116,227)	(332,857)
Total recognised income /(expense) for the year ended 30 June attributable to the Trust		(116,227)	(332,857)
Balance at 30 June	10	<u>14,617,702</u>	<u>14,733,929</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2008**

	Note	Actual 2008	Actual 2007
Assets			
Current assets			
Cash and cash equivalents	5	431,994	323,765
Trade and other receivables	6	-	9,805
Inventories		17,107	19,065
Investments		102,550	-
Total current assets		551,651	352,635
Non-current assets			
Property, plant and equipment	7	18,877,154	19,048,470
Total assets		19,428,805	19,401,105
Liabilities			
Current liabilities			
Trade and other payables	8	115,451	74,315
Employee benefit liabilities		32,531	21,861
Revenue in advance		181,025	-
Borrowings	9	131,147	-
Total current liabilities		460,154	96,176
Non-current liabilities			
Borrowings	9	4,350,949	4,571,000
Total non-current liabilities		4,350,949	4,571,000
Total liabilities		4,811,103	4,667,176
Net Assets		14,617,702	14,733,929
Trust equity			
Retained earnings		13,383,191	13,499,418
Revaluation reserve – land and buildings		1,127,559	1,127,559
Museum reserves		106,952	106,952
Total equity attributable to the Trust	10	14,617,702	14,733,929

Authorised for Issue on Behalf of the Trust by:

R Whalley
Chairperson

Date: _____

The accompanying notes form part of these financial statements.

R G Dickinson
Chief Executive

Date: _____

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Actual 2008	Actual 2007
Cash flows from operating activities			
Council operating grants		1,377,825	1,244,823
Contracts		129,344	107,942
Interest received		25,319	12,281
Receipts from other revenue		749,633	320,296
Payments to suppliers and employees		(1,383,278)	(1,431,156)
Interest paid		(271,098)	(242,684)
Goods and services tax (net)		27,691	13,619
Net cash from operating activities	11	655,436	25,121
Cash flows from investing activities			
Purchase of property, plant and equipment		(235,971)	(75,417)
Purchase of Investments		(102,550)	-
Net cash from investing activities		(338,521)	(75,417)
Cash flows from financing activities			
Proceeds from borrowings		-	425,848
Repayment of borrowings		(208,686)	(8,751)
Net cash from financing activities		(208,686)	417,097
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		108,229	366,801
Cash, cash equivalents and bank overdrafts at the beginning of the year		323,765	(43,036)
Cash, cash equivalents and bank overdrafts at the end of the year		431,994	323,765

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 2008

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 2008.

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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, except for the revaluation of 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.

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 lower of cost or market value.

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 7.

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 Other revenue

	Actual 2008	Actual 2007
Donations	161,472	50,366
Grants	301,893	117,000
Sales	270,661	47,274
Other Revenue	6,891	15,774
Total other revenue	<u>740,917</u>	<u>230,414</u>

3 Finance costs

	Actual 2008	Actual 2007
Bond Interest	9,531	9,958
Bank of New Zealand	-	21,178
Nelson Building Society *	261,567	211,548
Nelson City Council and Tasman District Council *	119,782	111,946
Total finance costs	<u>390,880</u>	<u>354,630</u>

* For further information refer to Note 9.

4 Other expenses

	Actual 2008	Actual 2007
Exhibition expenses	269,698	60,592
Audit fees for financial statement audit	17,610	33,692
Audit fees for NZ IFRS transition	-	3,000
Other	246,370	174,918
Total other expenses	<u>533,678</u>	<u>272,202</u>

5 Cash and cash equivalents

	Actual 2008	Actual 2007
Cash at bank and on hand	221,882	8,937
Short-term deposits maturing three months or less from date of acquisition	210,112	314,828
Total cash and cash equivalents	<u>431,994</u>	<u>323,765</u>
Bank overdrafts	-	-
Net cash, cash equivalents and bank overdrafts for the purposes of the statement of cash flows.	<u>431,994</u>	<u>323,765</u>

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

6 Trade and other receivables

	Actual 2008	Actual 2007
Gross trade and other receivables	-	9,805
Less provision for impairment	-	-
Total trade and other receivables	<u>-</u>	<u>9,805</u>

The carrying value of receivables approximates their fair value.

7 Property, plant and equipment

	Land and Buildings	Plant and Equipmen	Exhibition Fit-Out	Office Furn and Equipment	Exhibition and Collection	Total
Cost						
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
Disposals	-	-	-	-	-	-
Balance at 30 June 2007	8,480,000	627,695	324,347	134,309	9,958,680	19,525,031
Balance at 1 July 2007	8,480,000	627,695	324,347	134,309	9,958,680	19,525,031
Additions	56,000	74,491	-	96,038	9,442	235,971
Balance at 30 June 2008	8,536,000	702,186	324,347	230,347	9,968,122	19,761,002
Depreciation						
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 2007	260,898	126,117	43,246	46,300	-	476,561
Charge for the year	262,391	99,017	23,168	22,711	-	407,287
Balance at 30 June 2008	523,289	225,134	66,414	69,011	-	883,848
Carrying amounts						
At 1 July 2006	8,480,000	571,690	302,724	103,902	9,958,680	19,416,996
At 30 June and 1 July 2007	8,219,102	501,578	281,101	88,009	9,958,680	19,048,470
At 30 June 2008	8,012,711	477,052	257,933	161,336	9,968,122	18,877,154

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.

8 Trade and other payables

	Actual 2008	Actual 2007
Trade payables	87,528	71,178
Other payables	27,923	3,137
Total trade and other payables	<u>115,451</u>	<u>74,315</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.

9 Borrowings

	Actual 2008	Actual 2007
Current		
Heritage Bonds	131,147	-
Total current borrowings	<u>131,147</u>	<u>-</u>
Non-current		
Loans from Nelson City Council and Tasman District Council	1,830,949	1,711,167
Nelson Building Society loan	2,520,000	2,720,000
Heritage Bonds	-	139,833
Total non-current borrowings	<u>4,350,949</u>	<u>4,571,000</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 (2007 - \$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 (2007 - \$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 \$2,520,000, 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.

2008

Less than one year	\$131,147
Later than one year but not more than five years	\$1,830,949
Later than five years	\$2,520,000

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

Fair values of non-current borrowings

The fair values of non-current borrowings are \$4,350,949 (2007 - \$4,571,000)

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.0% (2007 7.0 %)

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

10 Reconciliation of equity

	Actual 2008	Actual 2007
Museum Reserves		
Opening balance	106,952	118,066
Transfers to retained earnings	-	(11,114)
Closing balance	<u>106,952</u>	<u>106,952</u>
Revaluation Reserve		
Opening balance	1,127,559	1,127,559
Revaluation gains	-	-
Closing balance	<u>1,127,559</u>	<u>1,127,559</u>
Retained earnings		
Balance at 1 July	13,499,418	13,821,161
Surplus/(deficit) for the year	(116,227)	(332,857)
Transfers from museum reserves	-	11,114
Balance at 30 June	<u>13,383,191</u>	<u>13,499,418</u>

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

	Actual 2008	Actual 2007
Surplus/(deficit)	(116,227)	(332,857)
Add/(less) non-cash items:		
Fair value adjustments to loans	119,782	111,946
Depreciation expense	407,286	372,376
Add/(less) movements in working capital items:		
Trade and other receivables	9,805	35,716
Inventories	1,958	(5,752)
Trade and other payables	41,137	(106,791)
Employee benefits	10,670	(49,517)
Revenue in Advance	181,025	-
Net cash from operating activities	<u>655,436</u>	<u>25,121</u>

12 Commitments and operating leases

	Actual 2008	Actual 2007
Commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	55,000	-

Operating leases as lessee

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

	Actual 2008	Actual 2007
Not later than one year	5,778	12,853
Later than one year and not later than five years	-	5,778

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

13 Contingencies

Contingent liability

The Trust has no contingent liabilities (2007 – nil)

Contingent assets

The Trust has no contingent assets (2007 – nil).

14 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 \$598,400 (2007 - \$624,525) and **Tasman District Council** contributed \$598,400 (2007 - \$620,298) towards the operating funding of the Trust.

There were no outstanding balances at balance date.

The Trust received \$181,025 (excluding GST) from the Nelson City Council in June 2008 for the first quarter operating grant for the year ended 30 June 2009.

No provision has been required, nor any expense recognised for impairment of receivables from related parties (2007 \$nil).

Key Management Personnel Compensation

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

	Actual 2008	Actual 2007
Salaries and other short term employee benefits	112,129	118,138

15 Events after the balance sheet date

There were no significant events after the balance sheet date.

16 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:

	Actual 2008	Actual 2007
<i>Loans and receivables</i>		
Cash and cash equivalents (see Note 5)	431,994	323,765
Trade and other receivables (see Note 6)	-	9,805
Total loans and receivables	431,994	333,570
<i>Financial liabilities measured at amortised cost</i>		
Trade and other payables (note 8)	115,452	74,315
Unsecured loans from Nelson City and Tasman District Councils (note 9)	1,830,949	1,711,167
NBS loan (secured)	2,520,000	2,720,000
Heritage Bonds	131,147	139,833
Total financial liabilities measured at amortised cost	4,597,548	4,645,315

17 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 9.

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 5) and gross trade receivables (note 6). 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.

18 Explanation of significant variances against budget

Explanations for significant variations from the Trust's budgeted figures in the 2007/2008 statement of intent are as follows:

Statement of financial performance

Significant increases in revenue against the budget were due to income from the Da Vinci Exhibition. A grant received in November 2007 from Canterbury Community Trust for the Vernon Registry System is budgeted for in the 2009 financial year.

Finance costs have increased in 2008 due to the NZ IFRS adjustment per note 9.

19 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.

20 Performance information

The 2007/08 Strategic Plan contained 26 Objectives/KPIs.

Performance Target	Result
1. Review policies for Risk Management, Digital Preservation, and Exhibitions	Partly Achieved. Exhibition Policy adopted May 2008.
2. Compile budgets/SOI by 30 November 2007 and finalise by 28 January 2008.	Achieved.
3. Operate within annual budget.	Achieved.
4. Ensure cash position no less than \$15,000 by 30 June 2008.	Achieved.
5. Ensure draft budgets for 2008/09 and 2009/10 are accurate.	Achieved.
6. Repay/retire Bonds by 31 August 2008.	Achieved.
7. Grow/enhance/promote the Collection.	Achieved. Major website upgrade in February 2008. Acquisition of Knapp Collection.
8. Museum open 363 days.	Achieved.
9. Museum to attract 75,000 visitors.	Not achieved (a record 53,000 visitors achieved).
10. Discuss with Tangata Whenua care and access to taonga Maori	Achieved through Iwi Liaison Komiti.

Tasman Bays Heritage Trust

11. Meet with Iwi Liaison Komiti 4 times/year	Achieved
12. Review terms of reference for Iwi Komiti	Achieved
13. Explore partnerships for Regional Storage Facility	Partly achieved. Discussions with Councils and commercial storage companies.
14. Review pilot digitisation programme by 30 June 2008.	Achieved.
15. Seek funding from three philanthropic bodies.	Achieved.
16. Develop long term exhibitioin programme by 31/12/2007.	Achieved.
17. Review Public Interface Strategy by 28/2/08.	Not achieved
18. Provide LEOTC programmes of 6,000 students	Achieved. 9932 students.
19. Review staff performance/salaries.	Partly achieved. Staff salaries adjusted 10/07.
20. Implement staff training programme by 30/6/08	Partly achieved – training needs analysis completed by 30/6/08.
21. Clear audit trail for government funding and contracts	Achieved.
22. Develop Marketing Strategy by 28/2/08	Not achieved
23. Review delegated authority policy by 31/1/08	Achieved
24. Complete Trust self-review by 31/3/08	Part achieved. Board key tasks and date planner implemented by 31/3/08
25. Report to shareholders by 28/2 and 31/8	Achieved
26. Explore options for an Endowment Trust by 28/2/08.	Not achieved

AUDIT REPORT**TO THE READERS OF
TASMAN BAYS HERITAGE TRUST'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

The Auditor-General is the auditor of Tasman Bays Heritage Trust (the Trust). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust, on his behalf, for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the Trust on pages 4 to 19:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Trust's financial position as at 30 June 2008; and
 - the results of its operations and cash flows for the year ended on that date.
- The performance information of the Trust on pages 19 to 20 fairly reflects the achievements measured against the performance targets adopted for the year ended 30 June 2008.

The audit was completed on 30 September 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trust and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Trustees;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Trustees and the Auditor

The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The Trustees are also responsible for preparing performance information that fairly reflects service performance achievements for the year ended 30 June 2008. The Trustees' responsibilities arise from the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Trust.

S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand