

Annual Report 2014/2015 Financial Performance



TĀMAKI PAENGA HIRA
AUCKLAND WAR MEMORIAL MUSEUM

Financial Statements

	NOTE	ACTUAL 2015 \$000s	PLAN 2015 \$000s	ACTUAL 2014 \$000s
Operating Activities				
Revenue	3	34,997	35,368	34,027
Expenses	8	(35,826)	(35,948)	(34,708)
Finance income	3	704	580	556
Finance expense	8	-	-	(20)
Net (deficit) from operating activities		(125)	-	(145)
Special Purposes Activities				
Revenue	4	8,531	-	5,625
Expenses	8	(5,868)	-	(4,812)
Finance income	4	388	-	65
Net surplus from special purposes		3,051	-	878
Total surplus/(deficit)		2,926	-	733
Other comprehensive income		-	-	-
Total comprehensive income		2,926	-	733

	ACCUMULATED FUNDS \$000s	SPECIAL PURPOSE \$000s	ASSET REPLACEMENT \$000s	TOTAL EQUITY \$000s
EQUITY 2015				
Balance as at 1 July 2014	405,838	14,912	55,773	476,523
Total Comprehensive Income	2,926	-	-	2,926
Transfer of Special Purposes net surplus*	(3,051)	1,291	1,760	-
Transfer of depreciation levy**	(8,694)	-	8,694	-
Transfer of capital expenditure**	7,421	(1,384)	(6,037)	-
Balance at 30 June 2015	404,440	14,819	60,190	479,449

EQUITY 2014

Balance as at 1 July 2013	406,339	16,359	53,092	475,790
Total Comprehensive Income	733	-	-	733
Transfer of Special Purposes net surplus*	(878)	932	(54)	-
Transfer of depreciation levy**	(8,524)	-	8,524	-
Transfer of capital expenditure**	8,168	(2,379)	(5,789)	-
Balance at 30 June 2014	405,838	14,912	55,773	476,523

* This transfers the Special Purposes surplus from Accumulated Funds to Special Purposes Equity and Asset Replacement Equity.

** The levy received from the Auckland Council includes an amount to recompense depreciation in the Museum's property, plant and equipment, the funds in respect of which are transferred from Accumulated Funds to the Asset Replacement Reserve 2015 \$8.694 million (2014 \$8.524 million). When expenditure is incurred on assets the funds are reclassified from the Asset Replacement Reserve into Accumulated Funds 2015 \$6.037 million (2014 \$5.789 million). Special Purposes Equity Funds may also be held to be expended on assets and in that event the funds are also reclassified from Special Purposes Equity Funds into Accumulated Funds 2015 \$1.384 million (2014: \$2.379 million).

	NOTE	2015 \$000s	2014 \$000s
Current Assets			
Cash and cash equivalents		7,463	5,823
Short-term investments - restricted	6	10,695	1,083
Trade and other receivables		308	305
Goods and Services Tax receivable		377	193
Prepayments		480	506
Inventory		248	318
		19,571	8,228
Non-current Assets			
Property, plant and equipment	1	396,727	400,511
Investments – restricted	6	64,314	69,602
Intangible assets	2	5,370	4,110
		466,411	474,223
Total Assets		485,982	482,451
Current Liabilities			
Trade and other payables		2,361	1,505
Accruals and provisions		2,309	2,753
Employee benefits	7	1,351	1,246
		6,021	5,504
Non-current Liabilities			
Employee benefits	7	512	424
		512	424
Total Liabilities		6,533	5,928
Net assets		479,449	476,523
Represented by Equity Reserve made up of:			
Accumulated funds		404,440	405,838
Special Purposes	5.1	14,819	14,912
Asset Replacement Reserve	5.2	60,190	55,773
		479,449	476,523

	NOTE	2015 \$000s	2014 \$000s
Cash Flows from Operating Activities			
Cash was provided from:			
Levy from Auckland Council		27,991	27,308
Receipts from operations		6,819	5,981
Interest received		1,092	621
Dividends and bequests received		780	416
		36,682	34,326
Cash was applied to:			
Payments to suppliers		(10,407)	(9,495)
Payments to employees		(14,798)	(14,396)
Payments relating to Special Purposes		(5,868)	(4,812)
Interest paid		-	(20)
		(31,073)	(28,723)
Net Cash Inflow from Operating Activities		5,609	5,603
Cash Flows from Investing Activities			
Cash was provided from:			
Net proceeds from drawdown of investments		2,665	2,993
Proceeds from disposal of property, plant and equipment		-	2
		2,665	2,995
Cash was applied to:			
Purchase of property, plant and equipment		(4,102)	(4,866)
Purchase of intangibles		(2,532)	(2,031)
		(6,634)	(6,897)
Net Cash Outflow from Investing Activities		(3,969)	(3,902)
Cash Flows from Financing Activities			
Repayment of Auckland Council carpark loan		-	(1,000)
Net Cash Outflow from Financing Activities		-	(1,000)
Net increase in cash		1,640	701
Cash at beginning of year		5,823	5,122
Cash at end of year		7,463	5,823

	2015 \$000s	2014 \$000s
Net Surplus	2,926	733
Add/(deduct) non-cash items:		
Depreciation, amortisation and loss on disposal	9,920	8,763
Change in measurement of investment at fair value	(6,989)	(4,229)
Donation of heritage assets	(762)	(980)
Inventory write-down	19	69
	2,188	3,623
Add/(deduct) movements in working capital:		
(Increase)/decrease in accounts receivable	(161)	454
(Increase)/decrease in accounts inventory	51	47
Increase/(decrease) in accounts payable and accruals	412	21
Increase/(decrease) in employee benefits	193	4
	495	526
Add/(deduct) items initially classified as investing/financing activities	-	721
Net cash flow from operating activities	5,609	5,603

SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Auckland Museum Trust Board is a body corporate established under the Auckland War Memorial Museum Act 1996. Its principal activity is managing, maintaining and developing the Auckland War Memorial Museum (“the Museum”).

Auckland Museum Enterprises Ltd was incorporated on 15 April 2013 to hold registration as the developer of certain intellectual property rights. No capital has been subscribed, and the company has no recorded assets or liabilities nor are transactions processed through this company. Accordingly the financial statements of the Auckland Museum Trust Board also represent the financial statements of the Auckland Museum Trust Board and its dormant subsidiary.

Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). For the purposes of complying with NZ GAAP, the Museum is a public benefit entity. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards (NZ IFRS), as appropriate for public benefit entities.

These financial statements were authorised for issue by Auckland Museum Trust Board on 15 October 2015.

Measurement Basis

The financial statements have been prepared on a historical cost basis, except for investments, which are measured at fair value.

Functional and Presentation Currency

The financial statements are presented in New Zealand Dollars (NZD), which is the Museum’s functional and presentation currency, rounded to the nearest thousand.

There has been no change in the functional currency of the Museum.

Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified unless reclassification is impracticable.

Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and Estimation Uncertainties

Assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ended 30 June 2015 include the following:

Fair value of investments “(restricted)” of \$64.314 million

The estimation in establishing the fair value of investments is undertaken by external independent sources. The Museum relies on Fund Managers for determination of these fair values.

Any significant change in the determination of these fair values will have material impact on the Museum’s investment.

Carrying and residual value of collection assets of \$269.651 million

New Zealand equivalents to International accounting standards – Property, Plant and Equipment (NZ IAS 16) requires that where an asset is donated, the asset is capitalised at its fair value as at the date of acquisition. The determination of the collections’ fair value involves estimation including whether or not the assets donated or acquired meet the recognition criteria and the definition of a heritage asset. Collection assets donated to the Museum are measured at fair value as at the date of acquisition and are ascertained by reference to market information, third-party validation or appraisal by Museum staff with the relevant expertise. Only assets where a fair value has been determined greater than \$1,000 are capitalised as, in the opinion of the Trustees, such assets are able to be reliably measured and meet the definition of an asset.

Upon initial recognition, heritage assets are carried at cost less any relevant impairment.

Owing to the unique nature of the Museum’s heritage assets, the residual value of the collection assets is considered to be equal to or greater than the carrying value in the financial statements. The asset lives are indeterminable and the depreciable amount negligible. Depreciation is only charged where a decrease in the residual value is identified. Determining the collections’ residual values requires an annual estimate by the Trustees to ensure such values are equal to or greater than their deemed cost or carrying value.

Useful lives and residual values of property, plant and equipment of \$396.727 million

As described above, the Board reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. For collections, a judgement is made around residual value being equal to or greater than the carrying value.

Any change in these factors would impact the depreciation amount and may have a material impact on the Museum’s property, plant and equipment.

Future Changes to Financial Reporting Standards

The External Reporting Board (XRB) has introduced a revised Accounting Standards Framework. The revised framework introduces Public Benefit Entity (PBE) Accounting Standards for not-for-profit public benefit entities and are largely based on International Public Sector Accounting Standards, modified as appropriate for New Zealand circumstances. These standards will apply for years beginning on or after 1 July 2015. The Museum will transition to the new standards when preparing its 30 June 2016 financial statements. The Museum has not assessed the full implication of the new Accounting Standards Framework at this time, but, other than certain changes to disclosure requirements, the Museum does not expect the recognition and measurement of transactions to differ significantly to those prescribed in NZ IFRS. Under the revised framework the Museum has an option to derecognise

collection assets from the financial statements. This decision is still under review by the Trust Board. Financial reporting requirements for PBEs are frozen in the short term and all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 are not applicable to PBEs. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBEs from their scope.

New or Amended Standards

There have been no changes in accounting standards since the previous reporting date which affect the current period's financial statements.

Other Accounting Policies

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Foreign Currency

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in the profit or loss in the period in which they arise.

Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and deposits held at call with domestic banks and other short-term investments that are used for operational purposes.

Operating activities: are the principal revenue-producing activities and are other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets not included in cash equivalents. Investments of excess funds which are not part of the core day-to-day running of the Museum are disclosed at net value.

Financing activities: are the activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Goods and Services Tax (GST)

All balances are presented net of GST, except for receivables and payables which are presented inclusive of GST.

Income Tax

The Museum is exempt from payment of income tax as a registered charitable organisation. Accordingly, no income tax charges have been provided for.

Provisions

Provisions are recognised when the Museum has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the

risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Payables

Trade payables and other accounts payable are recognised when the Museum become obliged to make future payments resulting from the purchase of goods and services.

Onerous Contracts

Present obligations arising under onerous contracts are recognised as provisions. An onerous contract is considered to exist where the Museum has a contract under which the unavoidable costs of meeting the contractual obligations exceed the economic benefits estimated to be received.

Interest Expense

Interest expense is recognised using effective interest method.

1.

1.1. PROPERTY, PLANT AND EQUIPMENT

	WORK IN PROGRESS \$000s	COLLECTIONS \$000s	BUILDINGS \$000s	DISPLAYS \$000s	EQUIPMENT \$000s	TOTAL \$000s
Cost						
Balance at 1 July 2013	595	267,475	135,028	23,198	35,694	461,990
Additions	4,135	-	-	-	-	4,135
Transfers	-	(196)	-	-	(31)	(227)
Disposals	-	-	(107)	(2,662)	(2,980)	(5,749)
Transfer from Work in Progress	(4,189)	1,547	24	50	2,568	-
Balance at 1 July 2014	541	268,826	134,945	20,586	35,251	460,149
Additions	4,864	-	-	-	-	4,864
Transfers	-	-	(166)	-	166	-
Disposals	-	-	(431)	(2,311)	(638)	(3,380)
Transfer from Work in Progress	(3,545)	825	1,163	276	1,281	-
Balance at 30 June 2015	1,860	269,651	135,511	18,551	36,060	461,633
Accumulated Depreciation						
Balance at 1 July 2013	-	-	20,674	18,627	18,353	57,654
Depreciation expense	-	-	2,878	958	3,162	6,998
Transfers	-	-	-	-	24	24
Disposals	-	-	(70)	(2,621)	(2,347)	(5,038)
Balance at 1 July 2014	-	-	23,482	16,964	19,192	59,638
Depreciation expense	-	-	2,922	2,328	3,388	8,638
Transfers	-	-	(12)	-	12	-
Disposals	-	-	(430)	(2,304)	(636)	(3,370)
Balance at 30 June 2015	-	-	25,962	16,988	21,956	64,906
Carrying value at 30 June 2015	1,860	269,651	109,549	1,563	14,104	396,727
Carrying value at 30 June 2014	541	268,826	111,463	3,622	16,059	400,511

1.2 RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value at the acquisition date, with the amount of the donation or subsidy recognised as income.

Donated assets with an estimated fair value of over \$1,000 are initially recorded at fair value (which is treated as cost) and subsequently at that amount less accumulated depreciation and accumulated impairment losses. Donated assets with an estimated fair value of less than \$1,000 are not recognised in the financial statements as they cannot be reliably measured and it is not economically viable to value.

All of the Museum's items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

1.3 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Museum. Ongoing repairs and maintenance is expensed as incurred.

1.4 DEPRECIATION

Depreciation is calculated using the straight-line method to allocate an asset's cost to its residual value over its estimated useful life.

Assets under construction are not subject to depreciation.

The annual depreciation rates on a straight-line basis for the Museum's classes of property, plant and equipment are:

Collections:

Heritage asset	Nil
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Buildings:

Buildings	0.5 – 2%
Building fit-outs	5 – 10%
Office furniture and fittings	5 – 20%

Displays:

Display galleries	7 – 33%
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Equipment:

Plant and equipment	4 – 20%
Motor vehicles	20%
Information technology	20 – 33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimates accounted for on a prospective basis.

1.5 COLLECTIONS

Collections are those items that have cultural, environmental or historical significance. The Museum's heritage assets relate to exhibits and artefacts.

In addition to cultural, environmental or historical significance, the Museum's heritage assets also have future economic benefit or service potential, and are therefore recognised in the Statement of Financial Position.

The Museum maintains a physical inventory of all the assets that comprise the collection fixed assets.

The residual amount of the collection is considered to be equal to or greater than the carrying value in the financial statements. Their useful lives are indeterminable and the depreciable amount negligible.

Depreciation is charged when the residual value of the asset falls below its carrying value.

The Museum does ensure that the carrying value of the collection assets has not been impaired in accordance with the requirements for non-cash generating assets (refer to accounting policy 1.6), that they still exist physically, have not lost value materially in aggregate due to their physical deterioration, nor have lost value materially in aggregate due to the diminution in their recoverable amount.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Museum reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Where the asset does not generate cash flows that are independent from other assets, the Museum estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or cash-generating units.

The recoverable amount is the higher of fair value less costs to sell and value in use.

The Museum applies the public benefit exemption in relation to NZ IAS 36 "Impairment" that allows value in use to be equal to depreciated replacement cost.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss. For cash-generating units, impairment losses are allocated to the assets in the cash-generating unit on a pro-rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

2.

2.1 INTANGIBLE ASSETS

	WORK IN PROGRESS \$000s	INTANGIBLES \$000s	TOTAL \$000s
Gross carrying amount			
Balance at 1 July 2013	902	1,729	2,631
Additions	2,911	-	2,911
Transfers	-	227	227
Disposals	-	(824)	(824)
Transfer from Work in Progress	(2,036)	2,036	-
Balance at 1 July 2014	1,777	3,168	4,945
Additions	2,532	-	2,532
Transfers	-	-	-
Disposals	-	(110)	(110)
Transfer from Work in Progress	(4,207)	4,207	-
Balance at 30 June 2015	102	7,265	7,367
Accumulated amortisation and impairment			
Balance at 1 July 2013	-	697	697
Amortisation expense	-	731	731
Transfers	-	(24)	(24)
Disposals	-	(569)	(569)
Balance at 1 July 2014	-	835	835
Amortisation expense	-	1,272	1,272
Transfers	-	-	-
Disposals	-	(110)	(110)
Balance at 30 June 2015	-	1,997	1,997
Carrying value at 30 June 2015	102	5,268	5,370
Carrying value at 30 June 2014	1,777	2,333	4,110

2.2 RECOGNITION AND MEASUREMENT

Intangible assets represent the Museum's investment in software and other design modules which are initially measured at cost. Thereafter they are measured at cost less accumulated amortisation and impairment. (Refer to Accounting Policy note 1.6 for impairment of non-financial assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Museum intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Subsequent Expenditure

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

Amortisation

Intangible assets are amortised over their useful lives. Amortisation is recognised in profit or loss on a straight-line basis over two to five years.

Useful lives are reviewed at each reporting date and adjusted if appropriate.

3. OPERATING REVENUE

3.1 DETAILS OF OPERATING REVENUE ARE AS FOLLOWS:

	ACTUAL 2015 \$000s	PLAN 2015 \$000s	ACTUAL 2014 \$000s
Auckland Council levy	27,991	27,991	27,308
Commercial operations	1,979	2,453	2,277
Admission Fees	1,955	1,643	1,437
Retail revenue	1,314	1,312	1,371
Donations, sponsorship, event and other revenue	717	1,087	572
Fair value of volunteers' time	544	580	596
Grant revenue	486	302	303
Exhibitions	11	-	163
	34,997	35,368	34,027
Interest income	704	580	556
	35,701	35,948	34,583

3.2 RECOGNITION AND MEASUREMENT

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Museum, and measured at the fair value of consideration received or receivable less returns, rebates and discounts.

The following specific recognition criteria in relation to the Museum's revenue streams must also be met before revenue is recognised.

a) Levies

Levies are received from Auckland Council. These are recognised as revenue on an accruals basis.

b) Commercial Operations and Retail

This includes revenue from sale of goods and services and rental revenue.

Retail revenue sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. In most instances, due to the nature of the Museum's operations, this occurs at the point of sale.

Rental revenue in relation to operating leases on the Museum's sub-lease for the café is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term.

c) **Admission Fees**

Revenue is recognised in profit or loss as received.

Amounts received in advance for services to be provided in future periods are recognised as a liability until such time as the service is provided.

d) **Donations and Sponsorship**

Donations and sponsorship are recognised as revenue upon receipt. The fair value of volunteer services is recognised as income and an expense when the service is received. Fair value is determined by reference to the expected costs that would otherwise be borne for these services.

e) **Grants**

Grants revenue is recognised at the point that it is probable that the future economic benefits will flow to the entity. If there are restrictions attached to the grant, revenue is recognised when the grant is applied. If there are conditions attached to the grant, revenue is recognised when the conditions are complied with.

f) **Public Events, Exhibitions and Other Revenue**

This includes revenue from fundraising activities and interest income.

The Museum's fundraising activities revenue is recognised at the point at which cash is received.

Interest income is recognised using the effective interest method.

4. SPECIAL-PURPOSE REVENUE

4.1 DETAILS OF SPECIAL-PURPOSE REVENUE ARE AS FOLLOWS:

	2015 \$000s	2014 \$000s
Change in measurement of investments at fair value	6,989	4,229
Heritage assets donated	762	980
Donations and bequests	367	416
Grants revenue	413	-
	8,531	5,625
Interest income	388	65
	8,919	5,690

Special Purposes Revenue represents the income earned that is set aside in the Museum Reserves (refer note 5 below) to meet the ongoing and future needs of the Museum. These funds can only be utilised for specific purposes and are restrictive in nature.

Accounting policy regarding the change in measurement of investment at fair value is contained in note 11.1 (below). Accounting policies for the remaining Special Purposes Revenue are detailed in note 3.2 (above).

5. RESERVES**5.1 SPECIAL-PURPOSE
RESERVE 2015**

	BALANCE 2014 \$000s	GIFTS AND BEQUESTS \$000s	INVESTMENT NET INCOME \$000s	NON-CAPITAL EXPENDITURE \$000s	CAPITAL EXPENDITURE \$000s	BALANCE 2015 \$000s
Restricted Trusts and Bequests						
Levingston Cooke Family bequest	3,043	52	280	(499)	-	2,876
Edward Earle Vaile Trust Fund	1,304	-	120	(49)	-	1,375
Waldo Heap bequest	333	-	31	-	-	364
Life Members' Subscription Trust	96	-	9	(12)	-	93
Auckland Museum Endowment Act	72	-	7	-	-	79
Margaret Blythe reserve	70	-	6	-	-	76
AWMME&B Omnibus Trust	60	-	6	-	-	66
Lesley Isabel Taylor	-	165	15	-	-	180
Nancy Bamford bequest	705	-	65	(136)	-	634
Others under \$15,000	115	-	9	-	-	124
Trusts and Bequests Subject to Wishes						
A G W Dunningham bequest	194	-	18	-	-	212
Memorial Hall donations	147	-	14	-	-	161
K Pritchard bequest	32	-	3	-	-	35
C Whitney Trust	23	-	2	-	-	25
Curtain Fund	8	-	1	-	-	9
General						
Spedding Reserve	4,994	-	460	(423)	-	5,031
Estate – Audrey Isabelle Maddox	150	-	14	-	-	164
Len Coakley Trust Fund	44	-	4	-	-	48
Celestene M Brandon	-	37	3	-	-	40
James Searle Foundation	26	5	2	-	-	33
Others under \$15,000	30	-	3	-	-	33
Total Trusts and Bequests	11,446	259	1,072	(1,119)	-	11,658
Museum Reserves						
Heritage Capital Reserve	2,210	-	204	-	(622)	1792
Exhibition Reserve	783	-	72	-	-	855
Acquisitions Reserve	431	762	40	-	(762)	471
Ko Tawa Reserve	42	-	4	(3)	-	43
Total Reserves	3,466	762	320	(3)	(1,384)	3,161
Total Trusts, Bequests and Reserves	14,912	1,021	1,392	(1,122)	(1,384)	14,819

5.1 SPECIAL-PURPOSE RESERVE 2014

	BALANCE 2013 \$000s	GIFTS AND BEQUESTS \$000s	INVESTMENT NET INCOME \$000s	NON-CAPITAL EXPENDITURE \$000s	CAPITAL EXPENDITURE \$000s	BALANCE 2014 \$000s
Restricted Trusts and Bequests						
Levingston Cooke Family bequest	3,193	50	176	(365)	(11)	3,043
Edward Earle Vaile Trust Fund	1,277	-	70	(43)	-	1,304
Waldo Heap bequest	373	-	21	(61)	-	333
Life Members' Subscription Trust	102	-	6	(12)	-	96
Auckland Museum Endowment Act	68	-	4	-	-	72
Margaret Blythe reserve	66	-	4	-	-	70
AWMME&B Omnibus Trust	57	-	3	-	-	60
Nancy Bamford bequest	705	-	39	(39)	-	705
Others under \$15,000	109	-	6	-	-	115
Trusts and Bequests Subject to Wishes						
A G W Dunningham bequest	184	-	10	-	-	194
Memorial Hall donations	139	-	8	-	-	147
K Pritchard bequest	82	-	5	(55)	-	32
C Whitney Trust	22	-	1	-	-	23
Curtain Fund	8	-	-	-	-	8
General						
Spedding Reserve	5,036	-	277	(319)	-	4,994
Estate – Audrey Isabelle Maddox	142	-	8	-	-	150
Catherine E Tong Reserve	54	-	4	(58)	-	-
Len Coakley Trust Fund	42	-	2	-	-	44
James Searle Foundation	20	5	1	-	-	26
Others under \$15,000	29	-	1	-	-	30
Total Trusts and Bequests	11,708	55	646	(952)	(11)	11,446
Museum Reserves						
Heritage Capital Reserve	2,461	-	136	-	(387)	2,210
Exhibition Reserve	742	-	41	-	-	783
Acquisitions Reserve	408	981	23	-	(981)	431
Ko Tawa Reserve	40	-	2	-	-	42
Car Park Loan Reserve	1,000	-	-	-	(1,000)	-
Total Reserves	4,651	981	202	-	(2,368)	3,466
Total Trusts, Bequests and Reserves	16,359	1,036	848	(952)	(2,379)	14,912

Nature and purpose of each reserve:

Restricted Trusts and Bequests – trusts and bequests subject to special restrictions.

Trusts and Bequests Subject to Wishes – trusts and bequests for special purposes in accordance with the wishes of the Donors.

General – trusts and bequests for general purposes.

Museum Reserves – specific reserves established to meet the ongoing and future needs of the Museum.

The Museum holds Special Purpose funds which are invested in financial assets. The assets are invested in a portfolio largely comprising International Equities, Australasian Fixed Interest, Global Fixed Interest, Australasian Equities and cash (short-term investments) and are accounted for at fair value through profit or loss. Fair values of these types of financial assets fluctuate due to changes in market prices arising from currency risk, interest rate risk and other price risk.

Restricted investments have been provided to the Museum for specific purposes determined by the donor and the Museum is obligated to use the funds for these specific purposes.

5.2 ASSET REPLACEMENT RESERVE	OPENING BALANCE \$000s	LEVIES \$000s	GIFTS AND BEQUESTS \$000s	INVESTMENT NET INCOME \$000s	NON- CAPITAL EXPENDITURE	CAPITAL EXPENDITURE \$000s	CLOSING BALANCE \$000s
Asset Replacement Reserve 2015	55,773	8,694	522	5,985	(4,747)	(6,037)	60,190
Asset Replacement Reserve 2014	53,092	8,524	360	3,447	(3,861)	(5,789)	55,773

The Museum receives funding for asset replacement (including depreciation). The difference between the amount funded and the sum spent on capital expenditure each year is recorded within the Asset Replacement Reserves. The Museum is currently finalising its gallery, space and storage plans for the next 15 to 25 years. Considerable progress has been made in the last 12 months in the development of the *Future Museum* plan and a capital project team has been established to carry out this work. Expenditure over the next few years will see the Asset Replacement Reserve balance reduce considerably.

6. INVESTMENTS – RESTRICTED	2015 \$000s	2014 \$000s
Balance as at 30 June		
Investments restricted – Current	10,695	1,083
Investments restricted – Non-current	64,314	69,602
	75,009	70,685
Represents:		
Special Purpose Equity	14,819	14,912
Asset Replacement Reserve	60,190	55,773
	75,009	70,685

These funds have been set aside by the Museum for specific purposes, or have been gifted to the Museum for use of a special purpose. These funds are not available for normal operational use. (Refer to note 5 above for the nature and purpose of each trust, bequest and reserve.)

Details of the investment are as follows:

	2015 \$000s	2014 \$000s
Balance as at 30 June		
International Equities	18,410	27,443
Australasian Fixed Interest	22,443	20,866
Global Fixed Interest	8,245	7,786
Australasian Equities	15,216	13,507
Cash (including in-house short-term investments)	10,695	1,083
	75,009	70,685

7. EMPLOYMENT BENEFITS

7.1 DETAILS OF EMPLOYEE BENEFITS ARE AS FOLLOWS:

	2015 \$000s	2014 \$000s
Current		
Short-term employee benefits		
- Annual leave	1,231	1,193
- Sick leave	79	30
	1,310	1,223
Current portion of long-term employee benefits		
- Long-service Leave	41	23
	41	23
	1,351	1,246
Non-current		
Non-current portion of long-term employee benefits		
- Retirement gratuity	117	112
- Long-service leave	395	312
	512	424
Total employment benefit liability	1,863	1,670

7.2 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit liabilities are recognised when the Museum has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and are measured on an undiscounted basis and expensed in the period in which employment services are provided. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken, at balance date, and sick leave.

A liability for sick leave is recognised to the extent that 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 it will be used by staff to cover those future absences.

7.3 LONG-TERM EMPLOYEE BENEFITS

Long-term employee benefit obligations are recognised when the Museum has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of reporting date. Long-term employee benefit obligations are measured on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Sick leave, annual leave, vested long-service leave, and non-vested long-service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

7.4 DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

7.5 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Museum is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Museum has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

8. EXPENSES

Cost of operating activities based on the Museum's strategic goals:

	ACTUAL 2015 \$000s	PLAN 2015 \$000s	ACTUAL 2014 \$000s
A strong, sustainable foundation	16,818	17,278	16,462
Accessible 'beyond the walls'	2,220	2,708	2,535
Compelling destination and experience	3,478	3,594	3,690
Active participant in Auckland	3,389	3,674	3,258
	25,905	27,254	25,945
Depreciation, amortisation and loss on disposals	9,920	8,694	8,763
Total Maintenance and Management Costs	35,826	35,948	34,708
Interest expense	-	-	20
Total Cost of Operating Activities	35,826	35,948	34,728
Special Purpose Activities			
Trusts, bequests and reserve expenditure	5,868	-	4,812

The expenses above include the following expenses by nature:

	ACTUAL 2015 \$000s	PLAN 2015 \$000s	ACTUAL 2014 \$000s
Expenses			
Short-term employee benefits:			
- Salaries and wages	14,597	15,845	14,233
- Termination payments	118	-	167
- Defined contribution plans	338	462	335
Total employee benefits	15,053	16,307	14,735
Depreciation	8,638	8,694	6,998
Amortisation	1,272	-	1,033
Loss on disposal of fixed assets	10	-	731
Inventory consumption recognised	661	708	808
Fair value of volunteers' time	544	580	596
Trust Board fees	185	196	180
Inventory write-down costs	19	-	69
Taumata-ā-Iwi fees	23	60	50
Auditor's fees	50	50	48
Operating lease expenses	26	25	20
Impairment allowance for trade debtors	2	-	10
Repairs and maintenance	947	1,290	1,381

9. LEASES

Non-cancellable operating lease receivables are as follows:

	2015 \$000s	2014 \$000s
Not later than one year	104	104
Later than one year and not later than five years	259	362
Later than five years	-	-
	363	466

Operating Lease

The Museum has entered into an arrangement to lease its café area for a term of six years and one month commencing December 2012. The lease contract contains biennial rent reviews in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Rental income for 2015 amounted to \$118,000 (2014: \$129,000).

Entity as lessor

Operating lease revenue is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the Statement of Comprehensive Income over the lease term on the same basis as the lease income.

Entity as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern over which economic benefits from the leased asset are consumed.

The Museum has no commitments under non-cancellable leases for 2015 (2014: nil).

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

10. RELATED PARTIES

10.1 CONTROLLING ENTITY AND ULTIMATE CONTROLLING ENTITY

The Museum has no controlling entity or ultimate controlling entity.

10.2 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Related parties include:

- The Trust Board
- The Taumata-ā-Iwi
- Regional Facilities Auckland (RFA)
- Auckland Council
- Auckland Museum Institute.

RFA is a statutory body which recommends the appointment of five board members to the Auckland Museum Trust Board and recommends the approval of the Museum's annual plans and annual reports, as referred to in the Auckland War Memorial Museum Act 1996, on behalf of Auckland Council that is presently responsible for paying the annual levy. Financial transactions with Auckland Council include payment of rates, interest and sundry charges 2015 \$0.308 million (2014: \$0.311 million charge). In 2015 the Museum received a levy of \$27.991 million (2014: \$27.308 million). No sums have been written off or provisions made during the year or at year-end 2015 (2014: \$nil). No balance outstanding as at 30 June 2015 (2014: \$nil).

The land beneath the Museum's building is held under a long-term lease from Auckland Council and no rental is charged in accordance with the Auckland War Memorial Museum Site Empowering Act 2003.

The Auckland Museum Institute is the learned society and membership body, as referred to in the Auckland War Memorial Museum Act 1996. The Auckland Museum Institute appoints four members of the Auckland Museum Trust Board, and supports the Museum in its objectives and functions as specified in the Act. Financial transactions with the Auckland Museum Institute include distribution to the Auckland Museum Institute of the Life Members' funds 2015 \$11,665 (2014: \$12,040). As at 30 June 2015 the Auckland Museum Institute owed to the Museum \$4,492 (2014: \$3,749). There is no security for this debt. No sums have been written off or allowances for impairment made during the year or at year-end 2015 (2014: \$nil). As at 30 June 2015 the Museum owed to the Auckland Museum Institute \$3,869 (2014: \$nil).

There were no other transactions with the above related parties and no balances owed as at 30 June 2015 (2014: \$nil).

10.3 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Museum classifies its key management personnel into the following classes:

- Members of the Trust Board
- Members of the Taumata-ā-Iwi
- Executive Team.

The aggregate level of remuneration paid and number of persons (measured in 'people' for Members of the governing body, and 'full-time-equivalents' (FTEs) for Senior executive officers and Chief operating officers) in each class of key management personnel is presented below:

	REMUNERATION 2015 \$000s	INDIVIDUALS 2015 \$000s	REMUNERATION 2014 \$000s	INDIVIDUALS 2014 \$000s
Members of the Trust Board	185	10 People	180	10 People
Members of the Taumata-ā-Iwi	23	5 People	50	5 People
Executive Team	1,396	6.8 FTEs	1,385	6.6 FTEs
Termination benefits	-		37	
	1,604		1,652	

The above remuneration is based on short-term benefits. The key management personnel are not entitled to any long-term employee benefits. Taumata-ā-Iwi fees for 2015 is less than 2014 due to an accrual for fees being reversed that related to prior periods, and subsequently not obligated to be paid.

Grouped below is the number of employees or former employees of the Museum who received remuneration and other benefits in their capacity as employees, totalling \$100,000 or more, during the year:

Amount of Remuneration	NUMBER OF EMPLOYEES	
	2015	2014
\$100,000 – \$120,000	8	12
\$120,001 – \$140,000	9	10
\$140,001 – \$160,000	-	4
\$160,001 – \$180,000	-	1
\$180,001 – \$200,000	4	3
\$340,001 – \$360,000	1	1
Total	22	31

10.4 SUBSIDIARY COMPANY

Auckland Museum Enterprises Limited was incorporated on 15 April 2013 and is wholly owned by the Trust Board. It is needed in order to hold registration as the developer of certain intellectual property rights. No capital has been subscribed nor have transactions been processed through this company in the period to 30 June 2015 (2014: \$nil). There have been no transactions processed through this entity during the year ended 30 June 2015 (2014: \$nil).

11. FINANCIAL INSTRUMENTS

The Museum initially recognises financial instruments when the Museum becomes a party to the contractual provisions of the instrument.

The Museum derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Museum is recognised as a separate asset or liability.

The Museum derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Museum has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Museum classifies financial assets into the following categories: fair value through profit or loss, and loans and receivables.

The Museum classifies financial liabilities into amortised cost.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

11.1 FAIR VALUE THROUGH PROFIT OR LOSS

A financial instrument is classified as fair value through profit or loss if it is:

- Held-for-trading
- Derivatives where hedge accounting is not applied
- Designated at initial recognition: If the Museum manages such investments and makes sale and purchase decisions based on their fair value in accordance with the Museum's documented risk management or investment strategy.

Those fair value through profit or loss instruments sub-classified as held-for-trading comprise investments held.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value with gains or losses being recognised in profit or loss.

11.2 LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents are highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of three months or less.

Trade and other receivables are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised costs.

11.3 AMORTISED COST FINANCIAL LIABILITIES

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through profit or loss financial liabilities.

Financial liabilities classified as amortised cost comprise trade payables.

Trade payables are initially recognised at fair value less transaction cost (if any). They are subsequently measured at amortised cost.

11.4 IMPAIRMENT OF NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not subsequently measured at fair value through profit or loss is assessed at each reporting date to determine whether or not there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Museum on terms that the Museum would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Museum, economic conditions that correlate with defaults or the disappearance of an active market for a security.

11.5 FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

The Museum considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Museum uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether or not current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

11.6 CATEGORIES OF FINANCIAL INSTRUMENTS

	FAIR VALUE THROUGH PROFIT OR LOSS \$000s	LOANS AND RECEIVABLES \$000s	AMORTISED COST \$000s	TOTAL CARRYING AMOUNT \$000s	FAIR VALUE \$000s
At 30 June 2015					
Financial assets					
Cash and cash equivalents	-	7,463	-	7,463	7,463
Short-term investments – restricted	-	10,695	-	10,695	10,695
Trade receivables	-	308	-	308	308
Investments	64,314	-	-	64,314	64,314
	64,314	18,466	-	82,780	82,780
Financial liabilities					
Trade payables, accruals and provisions	-	-	(4,670)	(4,670)	(4,670)
	-	-	(4,670)	(4,670)	(4,670)
Net	64,314	18,466	(4,670)	78,110	78,110

At 30 June 2014

Financial assets					
Cash and cash equivalents	-	5,823	-	5,823	5,823
Short-term investments – restricted	-	1,083	-	1,083	1,083
Trade receivables	-	498	-	498	498
Investments	69,602	-	-	69,602	69,602
	69,602	7,404	-	77,006	77,006
Financial liabilities					
Trade payables, accruals and provisions	-	-	(4,258)	(4,258)	(4,258)
	-	-	(4,258)	(4,258)	(4,258)
Net	69,602	7,404	(4,258)	72,748	72,748

11.7 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Museum is subject to a number of financial risks which arise as a result of its activities (i.e. exposure to credit, liquidity, currency and interest risk) occurring in the normal course of business.

There have been no changes to the Museum's exposure to these risks during the year, and the manner in which it manages and measures these risks.

The Auckland War Memorial Act 1996 (the Act) requires the Museum to manage and account for its revenue, expenses, assets, liabilities, investments and financial dealings generally and in accordance with the relevant financial management principles and Generally Accepted Accounting Practice, while remaining a going concern. Museum capital is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The Museum has a series of policies to manage the risks associated with financial instruments. The Museum is risk averse and seeks to minimise exposure from its treasury activities through the diversification of its investments by investing largely in a portfolio comprising Australasian Equities, Global Equities, Domestic Fixed Term Interest and Global Fixed Interest securities. The Museum has established Museum-Approved Financial Management and Investment policies. These provide a framework for the management of financial resources in an efficient and effective way.

The Museum does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

11.7.1 CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Museum.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Museum's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The average credit period on sales of goods and rendering of services as at 30 June 2015 is 33 days (2014: 39 days). No interest is charged on trade receivables. Included in the allowance for doubtful debts are individually impaired trade receivables. The impairment recognised represents the difference between the carrying amount of those trade receivables and the present value of the expected liquidation proceeds. The Museum does not hold any collateral over these balances. As at 30 June 2015 the Museum considers all outstanding debt recoverable, determined by reference to past experience and relationship with the debtors.

Before accepting a new customer, the Museum assesses the potential customer's credit quality and defines credit limits by customer. The trade receivables are constantly reviewed throughout the month and limits are reviewed should the customer not meet the Museum's credit requirements.

The Museum has minimal exposure to a large volume of small-value trade receivables arising from group and school visits and venue hire. Credit checks are carried out on new customers and deposits obtained for venue hire. Prompt action is taken to collect overdue amounts. There were no bad debts written off in 2015 (2014: \$nil). A doubtful debt provision is created when the payment of a debt is uncertain.

Ageing of past due but not impaired trade receivables

	2015 \$000s	2014 \$000s
Current	102	128
30-60 days	200	131
60-120 days	6	46
Total	308	305

In determining the recoverability of a trade receivables, the Museum considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the Museum believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Other Credit Risk

Operating funds not immediately required are invested in accordance with the Investment policy. Investments in New Zealand Fixed Interest and Global Fixed Interest securities are managed for the Museum by fund managers whose practice is to invest in high-grade debt and short-maturity credit securities.

Global fixed interest investments are invested with investors holding a Standard & Poor's minimum credit rating of 'A-'. New Zealand fixed interest investments are invested with investors with a Standard & Poor's minimum credit rating of 'BBB-'. To reduce the credit exposure of the managed investments, the Museum has invested in diversified asset classes and within each of these classes there is a maximum limit that can be invested in any one institution or entity. Thus investments are placed across a portfolio of parties to minimise credit risk. As at 30 June 2015 there is no significant concentration of credit risk.

11.7.2 LIQUIDITY RISK

Liquidity risk is the risk that the Museum will encounter difficulty in raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management requires maintaining sufficient cash or cash equivalent.

The Museum manages liquidity risk by maintaining adequate funds on deposits, reserves and banking facilities by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Museum is able to meet its obligations through the levy from Auckland Council, and self-generated revenue.

Below is the analysis based on the undiscounted cash flows of financial liabilities:

	WEIGHTED AVERAGE INTEREST RATE	CONTRACTUAL CASH FLOW \$000s	LESS THAN 1 YEAR \$000s	2-5 YEARS \$000s	TOTAL \$000s
30 June 2015					
Trade and other payables		4,670	4,670	-	4,670
Employee benefits		1,351	1,351	512	1,863
Total		6,021	6,021	512	6,533

The Museum has the following liquid assets to meet its liabilities:

Cash and cash equivalents	2.94%	7,463	7,463	-	7,463
Receivables and other assets		933	933	-	933
Short-term investments		10,695	10,695	-	10,695
		19,091	19,091	-	19,091

30 June 2014

Trade and other payables		4,258	4,258	-	4,258
Employee benefits		1,670	1,246	424	1,670
Total		5,928	5,504	424	5,928

The Museum has the following liquid assets to meet its liabilities:

Cash and cash equivalents	2.80%	5,823	5,823	-	5,823
Receivables and other assets		816	816	-	816
Short-term investments		1,083	1,083	-	1,083
		7,722	7,722	-	7,722

As explained in note 6 above, short-term investments are funds set aside by the Museum for specific purposes and not available for normal operational use. Therefore, these funds are only available to meet liabilities related to the specific purposes.

11.7.3 MARKET RISK

11.7.3.1 CURRENCY RISK

Currency risk is the risk that the Museum will suffer losses arising from significant movements in NZD currency in relation to other currencies, when paying for special exhibitions, other overseas purchases or when valuing Global Fixed Interest securities.

The Museum has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from investing and exhibition activities. Foreign exchange risks on investment funds are hedged by the relevant fund manager as considered necessary.

Forward exchange contracts are taken out to cover exhibition commitments. There was no exposure for exhibitions as at 30 June 2015 (2014: \$nil).

Foreign exchange risks on Global Fixed Interest securities are fully hedged while hedging of Global Equities ranges from 50% to 100%, as considered appropriate by the fund managers. As at 30 June 2015 overseas investment funds were hedged USD 100% and EUR 78.4% (2014: USD 62%, AUD 100% and EUR 58%).

A variable of 10% was selected for exchange risk as this is a reasonably expected movement based on historical trends in equity values. A 10% increase or decrease is used when reporting exchange rate risk internally to key management personnel and represents management's assessment of the reasonably possible fluctuation in exchange rates. As at the balance sheet date, the Museum was exposed to the following foreign currencies:

	NZD \$000s	USD \$000s	EUR \$000s	AUD \$000s	GBP \$000s	OTHERS \$000s	TOTAL \$000s
2015							
Cash	7,463	-	-	-	-	-	7,463
Trade and other receivables	685	-	-	-	-	-	685
Traced and other payables	(6,533)	-	-	-	-	-	(6,533)
Investments							
Equities	15,594	11,023	3,680	-	1,099	2,229	33,625
Fixed interest	30,689	-	-	-	-	-	30,689
Cash deposits	10,695	-	-	-	-	-	10,695
	58,593	11,023	3,680	-	1,099	2,229	76,624
2014							
Cash	5,823	-	-	-	-	-	7,463
Trade and other receivables	498	-	-	-	-	-	685
Traced and other payables	(5,928)	-	-	-	-	-	(6,533)
Investments							
Equities	13,973	17,788	9,188	-	-	-	40,950
Fixed interest	24,368	-	-	4,284	-	-	28,652
Cash deposits	1,083	-	-	-	-	-	1,083
	39,817	17,788	9,188	4,284	-	-	71,078

As at 30 June 2015 if the currency on investments had fluctuated by plus or minus 10%, the surplus for the Museum would have been \$0.327 million lower/higher (2014: \$1.038 million lower/higher). A 10% currency rate increase or decrease is used when reporting currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency rates.

11.7.3.2 INTEREST RATE RISK

The Museum is exposed to interest rate risk as it invests cash in short-term and long-term deposits at fixed interest rates. (Refer to note 11.5 above for a summary by asset class.)

The Museum has potential exposure to interest rates on its short-term investments. These exposures are managed by investing in bank deposits maturing in less than 12 months. The range of interest rates is reported monthly.

As at 30 June 2015 if interest rates on cash and cash equivalents, and short-term investments had fluctuated by plus or minus 1%, the surplus for the Museum would have been \$182,000 higher/lower (2014: \$64,000 higher/lower). A 1% interest rate increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible fluctuation in interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Investments at fixed interest rates expose the Museum to fair value interest rate risk. As at 30 June 2015 if the fair value interest rates on fixed interest investment had fluctuated by plus or minus 1%, the surplus for the Museum would have been \$307,000 higher/lower (2014: \$287,000 higher/lower).

11.7.3.3 OTHER PRICE RISK

The Museum has potential exposure to changes in equity prices in its investments in Australasian Equities and Global Equities. All equity investments present a risk of loss of capital often due to factors beyond the fund managers' control, such as competition, regulatory changes, commodity price changes and changes in general economic climate domestically and internationally. The fund managers moderate this risk through careful investment selection and diversification, daily monitoring of the fund's market position and adherence to the fund's investment policy. The maximum market risk resulting from financial instruments is determined by their fair value.

A variable of 10% was selected for price risk as this is a reasonably expected movement based on historical trends in equity indexes. A 10% increase or decrease is used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity indexes. As at 30 June 2015 if the equity indexes had fluctuated by plus or minus 10%, the surplus for the Museum would have been \$3.363 million higher/lower (2014: \$4.041 million higher/lower). A 10% market rate increase or decrease is used when reporting market rate risk internally to key management personnel and represents management's assessment of the reasonably possible fluctuation in market rates.

11.7.4. FAIR VALUE

The carrying value of cash and equivalents, short-term investments, receivables, payables and interest-bearing loans is equivalent to their fair value.

Classification and Fair Values

The fund managers manage the Museum's investments and make sale and purchase decisions based on their fair value and in accordance with investment strategy. Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value of the 'Financial assets at fair value through the profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

11.7.4.1 FAIR VALUE MEASUREMENT

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets in this category include managed funds. There are no financial liabilities in this category.

As at 30 June 2015 the Museum has managed funds at fair value in level 2 of \$64.314 million (2014: \$69.602 million).

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between level 1 and 2 in the period.

12. COMMITMENTS AND CONTINGENCIES

12.1 COMMITMENTS

	2015 \$000s	2014 \$000s
Capital commitments	1,061	1,409

12.2. CONTINGENT LIABILITIES

Provisions for legal claims have been recognised in the financial statements. The Museum Trust Board has based the provision on legal advice received. No information pertaining to these provisions has been disclosed as it may prejudice the outcome for the Museum. The Trust Board members continue to update their legal advice as new facts and circumstances arise and provisions are recognised where warranted based on this. There are no other contingent liabilities as at 30 June 2015. (2014: \$nil).

12.3 CONTINGENT ASSETS

There were no contingent assets at 30 June 2015 (2014: \$nil).

13. POST-BALANCE-DATE EVENTS

There are no matters arising since 30 June 2015 that would materially affect the Museum's financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE AUCKLAND MUSEUM TRUST BOARD

Report on the Financial Statements

We have audited the accompanying group and parent financial statements of Auckland Museum Trust Board ('the Group') on pages 54 to 86 which comprise the group and parent statement of financial position as at 30 June 2015, and the group and parent statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to Auckland Museum Trust Board, as a body, in accordance with Section 28 of the Auckland War Memorial Museum Act 1996. Our audit has been undertaken so that we might state to the Auckland Museum Trust Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board, as a body, for our audit work, for this report, or for the opinions we have formed.

Auckland Museum Trust Board's Responsibility for the Group and Parent Financial Statements

The Auckland Museum Trust Board is responsible for the preparation and fair presentation of these group and parent financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards with Public Benefit Entity Modifications and generally accepted accounting practice in New Zealand, and for such internal control as the Auckland Museum Trust Board determine is necessary to enable the preparation of group and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these group and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the group and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the group and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the group and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the group and parent financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the group and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in the Auckland Museum Trust Board or any of its subsidiaries.

Opinion

In our opinion, the group and parent financial statements on pages 54 to 86 present fairly, in all material respects, the financial position of Auckland Museum Trust Board and its subsidiary as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards with Public Benefit Entity Modifications and generally accepted accounting practice in New Zealand.



Chartered Accountants
15 October 2015
Auckland, New Zealand

This audit report relates to the group and parent financial statements of Auckland Museum Trust Board for the year ended 30 June 2015 included on the Auckland Museum's website. The Auckland Museum Trust Board is responsible for the maintenance and integrity of The Auckland War Memorial Museum's website. We have not been engaged to report on the integrity of The Auckland War Memorial Museum's website. We accept no responsibility for any changes that may have occurred to the group and parent financial statements since they were initially presented on the website. The audit report refers only to the group and parent financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these group and parent financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited group and parent financial statements and related audit report dated 15 October 2015 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Report 2014/2015 Financial Commentary

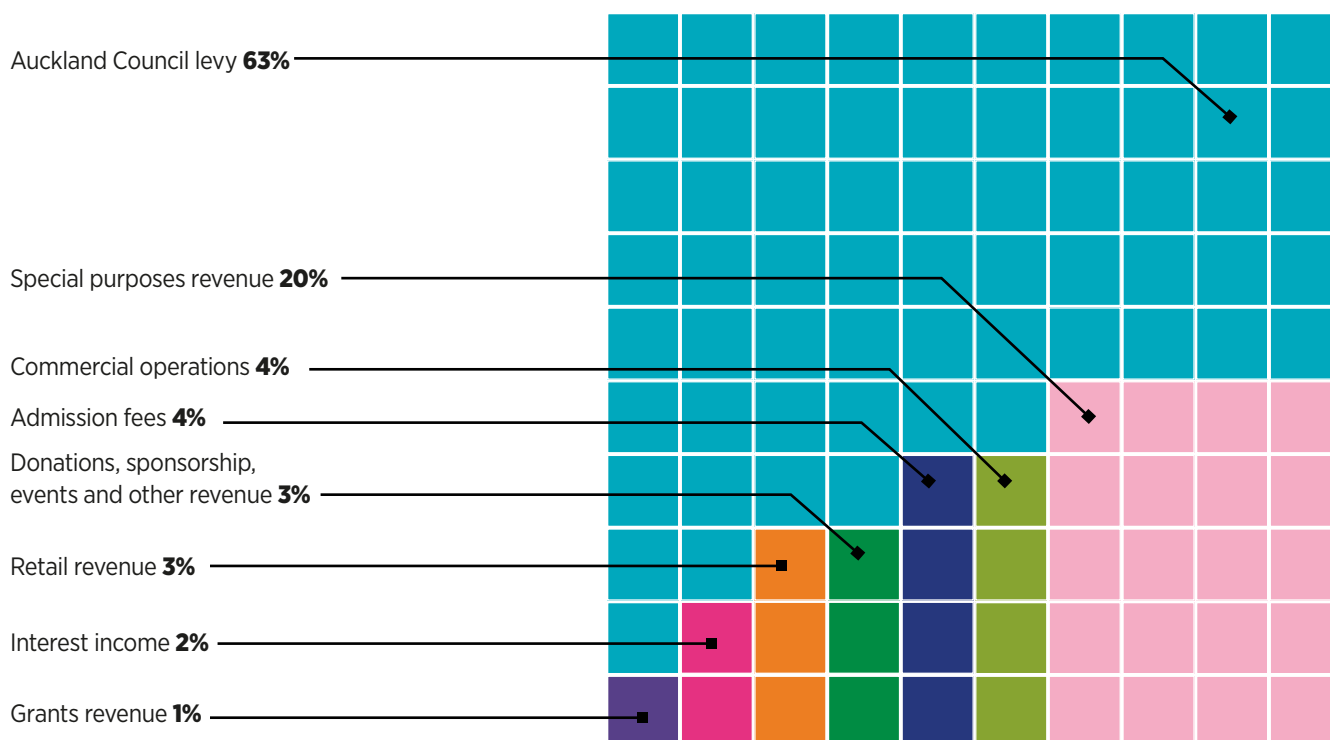
The Museum continued its sustainability initiatives and cost savings, maximising revenue where possible and by obtaining maximum value from all expenditure in FY2014/2015. The operating deficit of \$125,000 was achieved in FY2014/2015.

The Special Purposes surplus of \$3,051,000 in FY2014/15 was derived from the investment of the Museum's trusts and bequests, and reserves; the most significant reserve being the Asset Replacement Reserve. The Asset Replacement Reserve is restricted to provide funding for the Museum's capital expenditure. As funding to this reserve is based on historical costs, this reserve is invested and the return on that investment assists to fund the asset replacement cost that has increased due to inflation. Investment earnings provided a net return of 10.48%, which is above the financial market trends.

Overall FY2014/15 has been a positive year from a visitation and self-generating revenue perspective and we continue to build on this strong performance in the next financial year.

The Museum's total revenue is from the following sources:

FY2014/2015 Revenue



The Museum's operating revenue (excluding Levy) of \$7.710 million increased 14% over last year, marks an extremely positive result under difficult economic circumstances, in addition to the Local Authorities Levy. The most significant increase was achieved in Admissions fees. FY2014/2015 has been an exceptional year from an income generating perspective. Other revenue streams have undergone a transformational change as we change the way we operate and go out and proactively seek new business.

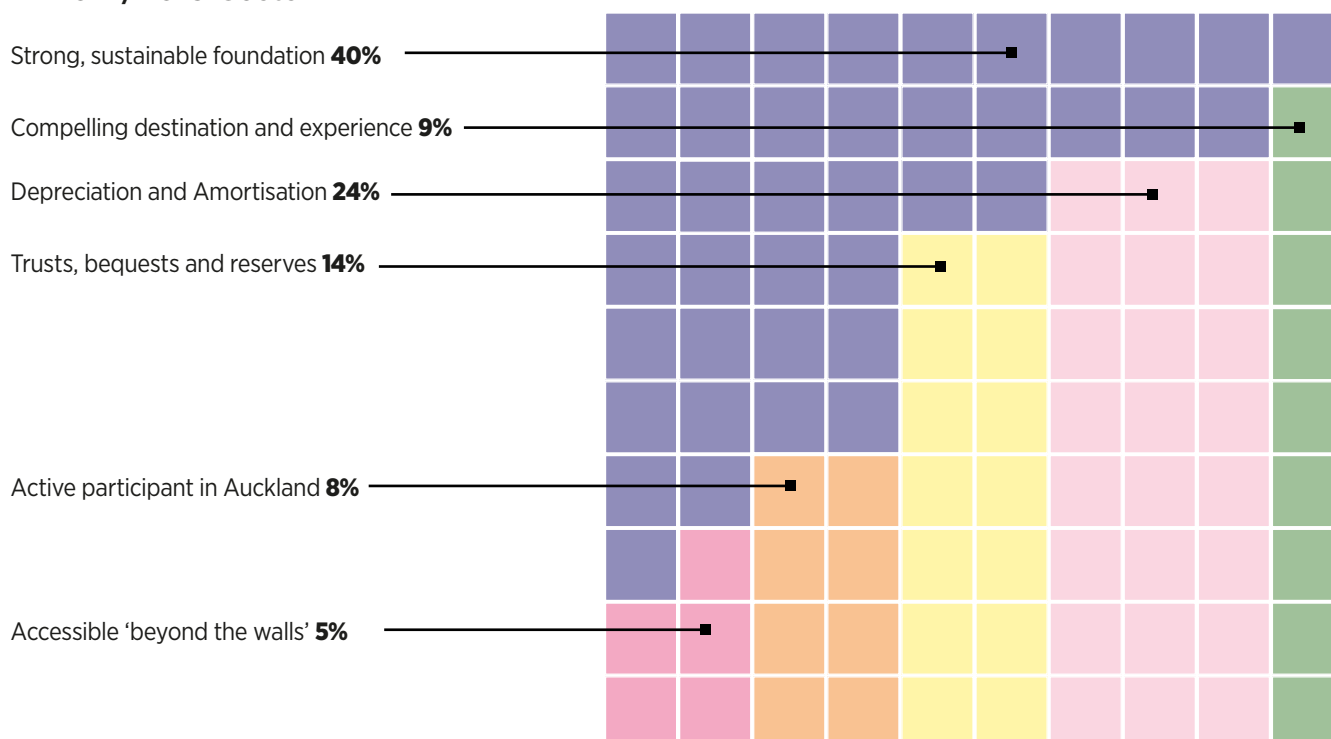
Museum would like to acknowledge the funds received from Lesley Taylor bequest \$165,000, Celestene Brandon bequest \$37,000, Tennyson Charitable Trust \$14,000 during the year. Museum also acknowledges the financial support from ATEED \$77,000 and Antarctic Heritage Trust \$77,000 received for the Still Life Exhibition.

The first instalment of \$413,000 (of the total \$3.8 million grant) was received during the year from the Lottery Commission. These funds are utilised to re-develop the Cenotaph facilities and database. The remaining funds will be received over the term of the project to 2018.

Spending was managed throughout the year in order to ensure best value was received and was maintained within the resources and funding available.

The Museum's total cost by activity is:

FY2014/2015 Costs



Significant differences to plan that contributed to the FY2014/2015 result include:

- Commercial operation revenue of \$2 million was \$474,000 (19%) below plan mainly due to highly competitive venue hire market resulting in lower revenue.
- The admissions revenue at \$2 million was \$312,000 (19%) above plan and \$518,000 (36%) more than last year. This is a direct reflection of the new admission fee charge structure introduced last financial year.
- Operating expenses were \$122,000 below plan reflecting the initiatives introduced to manage costs, including the Museum's sustainability journey.
- Special Purposes revenue includes the increase in value of the investments managed by external fund managers was 65% higher than last year. This category also includes heritage assets donated recognised at their fair value, together with donations and interest.

