

The Auditor-General is the auditor of Wellington Museums Trust Incorporated (the Trust). The Auditor-General has appointed me, Malcolm Downes, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Trust, on his behalf, for the year ended 30 June 2005.

Unqualified Opinion

In our opinion the financial statements of the Trust on pages 28 to 35:

- › comply with generally accepted accounting practice in New Zealand; and
- › fairly reflect:
 - the Trust's financial position as at 30 June 2005; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 29 August 2005, 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 Trustees 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 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. 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. 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.

We evaluated the overall adequacy of the presentation of information in the financial statements. 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 financial statements that show the financial position of the Trust as at 30 June 2005 and the results of its operations and cash flows for the year ended on that date. The Trustees' responsibilities arise from the Trust Deed.

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

Independence

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

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



Malcolm Downes
KPMG

On behalf of the Auditor-General
Wellington, New Zealand

WELLINGTON MUSEUMS TRUST INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	note	2005 \$	2004 \$
Revenue	3	7,240,606	7,181,659
Less Expenses	3	6,915,449	6,719,752
Operating Surplus for the Year before Depreciation		325,157	461,907
Less Depreciation	5	425,102	415,755
Net (Deficit)/Surplus for the Year		(99,945)	46,152

WELLINGTON MUSEUMS TRUST INCORPORATED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2005

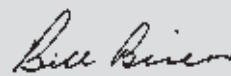
		2005 \$	2004 \$
Equity at the beginning of the Year		5,124,219	5,078,067
Net (Deficit)/Surplus for the Year		(99,945)	46,152
Total transferred to retained earnings for the year		(99,945)	46,152
Equity at the end of the year	2	5,024,274	5,124,219

WELLINGTON MUSEUMS TRUST INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	note	2005 \$	2004 \$
Total Equity	2	5,024,274	5,124,219
<i>Represented by:</i>			
Current Assets			
Bank	4	164,401	229,003
Other Current Assets	7	480,724	422,139
		645,125	651,142
Fixed Assets	5	5,551,222	5,585,991
Total Assets		6,196,347	6,237,133
Current Liabilities			
Bank Overdraft	4	1,735	9,554
Creditors	9	99,184	138,787
Accruals and Provisions	10	648,230	477,393
Current Portion of Term Loan	11	68,753	64,675
		817,902	690,409
Term Liabilities			
National Bank Term Loan	11	354,171	422,505
Total Liabilities		1,172,073	1,112,914
Net Assets		5,024,274	5,124,219



TRUSTEE:
DATE: 29 August 2005



TRUSTEE:
DATE: 29 August 2005

The notes in the financial statements form part of, and should be read in conjunction with, these financial statements.

WELLINGTON MUSEUMS TRUST INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004		2005	2004
	\$	\$		\$	\$
Cash Flows from Operating Activities			Cash Flows from Financing Activities		
Cash was provided from:			Cash was applied to:		
Receipts from Clients and Customers	1,943,042	2,202,161	Term Loan Repayments	(64,256)	(61,331)
Receipts from Related Parties	5,070,701	5,070,701	Net Cash Outflow from Financing Activities	(64,256)	(61,331)
Interest Received	81,216	66,047	Net (Decrease)/Increase in Cash	(56,783)	(28,099)
Cash was applied to:			Opening Cash brought forward	219,449	247,548
Payments to Suppliers and Employees	(5,582,541)	(5,836,314)	Closing Cash carried forward	162,666	219,449
Payments to Related Parties	(1,089,388)	(1,089,388)			
Interest Paid	(37,928)	(38,060)			
Net GST Paid	12,704	(15,286)			
Net Cash Inflow from Operating Activities (note 14)	397,806	359,863			
Cash Flows from Investing Activities					
Cash was applied to:					
Purchase of Fixed Assets	(390,333)	(326,630)			
Net Cash Outflow from Investing Activities	(390,333)	(326,630)			

Closing cash comprises Bank Deposits and Bank Overdraft (note 4).

The notes in the financial statements form part of, and should be read in conjunction with, these financial statements.

WELLINGTON MUSEUMS TRUST INCORPORATED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of Accounting Policies

Reporting Entity and Statutory Base

The Wellington Museums Trust Incorporated (the Trust) is registered under the Charitable Trusts Act 1957. It is a Council Controlled Organisation (CCO) in terms of the Local Government Act 2002.

The financial statements of the Trust include the activities of the following business units – the Wellington Museums Trust, the Museum of Wellington City & Sea, City Gallery Wellington, Capital E, the Colonial Cottage Museum and the Wellington Cable Car Museum.

The principal activity of the Trust is to manage the Trust facilities and to operate them for the benefit of the inhabitants of Wellington and the public generally.

The financial statements are prepared in accordance with the Financial Reporting Standards of the Institute of Chartered Accountants of New Zealand.

Measurement Base

The measurement basis adopted is that of historical cost except for the valuation of collection and artefacts.

Accounting Policies

The following accounting policies which have a material effect on the measurement of results have been adopted.

- a) *Accounts Receivable*
 Accounts receivable are stated at expected realisable value after providing against debts where collection is doubtful.
- b) *Depreciation*
 Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis at rates that will write off the cost of the assets, less their estimated residual values, over their estimated useful lives. The depreciation rates of the major classes of assets are as follows:

Computer equipment	33%	SL
Office equipment	25%	SL
Computer software	33%	SL
Motor Vehicles	20%	SL
Museum Fittings	5%	SL
Leasehold improvements	5%–25%	SL

c) *Valuation of Collection & Artefacts*

The Collection and Artefacts are carried at cost. A substantial amount of the collection was acquired on 29 February 1996 from the Wellington Maritime Museum Trust. All subsequent purchases are recorded at cost. The Trustees obtained a valuation on specific items to support the carrying value at 30 June 2004. The Trustees reconfirmed that the carrying value at 30 June 2005 is appropriate and that no impairment event has occurred. Collections and Artefacts have not been depreciated in the year to 30 June 2005, and the impact on the Statement of Financial Performance is not significant.

d) *Merchandise*

Merchandise is stated at the lower of cost and net realisable value.

e) *Taxation*

The Trust is registered as a Charitable Trust and is exempt from income tax. The Trust is not exempt from indirect tax legislation such as Goods and Services Tax, Fringe Benefit Tax, PAYE or ACC and accordingly it is required to comply with these regulations.

f) *Availability of Future Funding*

The Trust is reliant on the Wellington City Council (the Council) for a large part of its income and operates under a funding deed with the Council.

The Funding Deed is for a period of three years and is extended annually for a further year.

If the Trust were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised other than at the amounts stated in the statement of financial position. In addition the Trust may have to provide for further liabilities that might arise, and to reclassify fixed assets as current assets.

g) *Comparatives*

If appropriate, certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

WELLINGTON MUSEUMS TRUST INCORPORATED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2005

h) *Differential reporting*

The Trust qualifies for differential reporting because it is not publicly accountable and the owner is a member of the Trust's governing body. The Trust has applied differential reporting exemptions available under the following:

FRS-31 *Disclosure of Information about Financial Instruments*

SSAP-23 *Financial Reporting for Segments*

i) *Annual budget figures*

Annual budget figures included in Note 3 to these financial statements are for the Trust. The annual figures are those approved by the Trustees at the beginning of the year following a period of consultation with the facilities as part of the annual planning process. The cost categories included in the Annual budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Trust for the preparation of these financial statements.

Changes in Accounting Policies

There have been no changes in accounting policies.

2. Equity

	2005 \$	2004 \$
Capital Reserve		
Balance at start of Year	2,122,962	2,122,962
Balance at end of Year	2,122,962	2,122,962
Colonial Cottage Museum Collection Reserve		
Balance at start of Year	23,895	23,895
Balance at End of Year	23,895	23,895
City Gallery Development Fund		
Balance at start of Year	50,000	-
Transferred (to)/from Retained Earnings	(50,000)	50,000
Balance at End of Year	-	50,000

During the year ended 30 June 2004 the Trustees decided to transfer \$50,000 from retained earnings into the City Gallery Development Fund to assist with the funding of future international exhibitions. During 2005 the \$50,000 transferred back to retained earnings as it was used in funding the Bridget Riley exhibition.

Museum of Wellington City & Sea Collection Reserve	2005 \$	2004 \$
Balance at start of Year	1,494	-
Transferred from Retained Earnings	2,345	1,494
Balance at End of Year	3,839	1,494

During the year ended 30 June 2004 the Trustees decided to place all donations received from the Museum Foundation membership into a Collection Reserve for future Museum acquisitions. A total of \$2,345 was received by way of donations from members during the year ended 30 June 2005 (2004 \$1,494).

Retained Earnings

Balance at start of Year	2,925,868	2,931,210
Net (Deficit)/Surplus for the Year	(99,945)	46,152
Transferred from/(to) City Gallery Development Fund	50,000	(50,000)
Transferred to Museum of Wellington City & Sea Collection Reserve	(2,345)	(1,494)
Balance at end of Year	2,873,578	2,925,868
Total Equity	5,024,274	5,124,219

**WELLINGTON MUSEUMS TRUST INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

3. Revenue and Expenses	Actual	Budget	Actual
note	2005	2005	2004
	\$	\$	\$
Revenue includes:			
Wellington City Council Operational Grant	3,993,000	3,993,000	3,993,000
Wellington City Council Rental Grant	1,077,701	1,077,735	1,077,701
Ministry of Education Contracts for Service	295,111	294,890	262,222
Creative New Zealand Grant	252,788	260,000	333,940
New Zealand Lottery Grants Board	18,570	–	82,986
Other Grants, Sponsorship & Donations	15 500,165	543,000	271,778
Admissions Income & Sales	757,334	799,939	832,685
Interest	81,217	60,000	66,048
Other Income	264,720	254,000	261,299
Total Revenue	7,240,606	7,282,564	7,181,659
Expenses include:			
Personnel	2,581,277	2,634,370	2,566,054
Exhibitions & Programmes	1,583,670	1,607,751	1,407,839
Rent Paid	1,160,383	1,150,385	1,160,383
Marketing & Promotions	499,590	481,339	547,134
Other Occupancy Costs	602,362	569,180	550,525
Other Administration Expenses	133,340	141,750	129,494
Communication Costs	102,375	131,650	96,402
Doubtful Debts	–	–	–
Trustee Fees & Expenses	66,242	86,000	82,317
Technology Costs	96,366	115,389	102,446
Professional Fees	33,768	25,000	21,052
Interest Paid	37,928	35,000	38,060
Auditors Remuneration	18,148	18,500	18,046
Total Expenses	6,915,449	6,996,314	6,719,752

4. Bank

The following bank accounts and balances were held by the Trust.

	2005	2004
	\$	\$
Non interest bearing bank accounts & cash	(1,735)	(9,554)
Interest bearing call accounts	164,401	229,003
Total Bank	162,666	219,449

All accounts and deposits are held with the Wellington branch of the National Bank of New Zealand.

WELLINGTON MUSEUMS TRUST INCORPORATED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2005

5. Fixed Assets

	2005	2005	2005	2005	2004
	\$	\$	\$	\$	\$
	Cost	Depreciation Charge	Accumulated Depreciation	Net Book Value	Net Book Value
Collections and Artefacts	2,177,599	–	–	2,177,599	2,153,480
Computer Equipment	367,921	38,701	304,294	63,627	46,065
Computer Software	232,634	13,513	207,857	24,777	14,212
Office Equipment	1,194,056	149,846	729,837	464,218	336,799
Leasehold Improvements	813,651	59,042	306,546	507,105	557,539
Motor Vehicles	23,334	3,500	23,334	–	3,500
Museum Fittings	3,510,810	160,500	1,196,914	2,313,896	2,474,396
	8,320,005	425,102	2,768,782	5,551,222	5,585,991

Leasehold improvements relate principally to the development of Capital E, which opened on 29 June 1997. Museum fittings relates to the Museum of Wellington City & Sea.

6. Restriction over Title to Assets

As stated in the Transfer of Assets Agreement, the Trustees of the Wellington Museums Trust are unable to part with possession of Unclassified Assets without the consent of the Wellington City Council. Unclassified Assets are defined as those items within the Collection and Artefacts that were obtained by the Wellington Harbour Board or the Wellington Maritime Museum Trust between 26 April 1972 and 2 February 1996.

7. Other Current Assets

	2005	2004
	\$	\$
Accounts Receivable	50,737	52,778
Prepayments	35,305	131,648
Merchandise	206,621	184,639
Sundry Receivables	177,692	30,000
GST Receivable	10,369	23,074
	480,724	422,139

WELLINGTON MUSEUMS TRUST INCORPORATED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2005

8. Related Party

	2005	2004
	\$	\$
For the year from 1 July 2004 to 30 June 2005 the Trust received amounts from related parties totalling:		
Wellington City Council		
– operational grant	3,993,000	3,993,000
Wellington City Council		
– rental grant	1,077,701	1,077,701
	<u>5,070,701</u>	<u>5,070,701</u>

The Trust is not related to the Wellington City Council (“the Council”) by shareholding. The Trust was established by, and is reliant upon, the Council for a large part of its income which indicates sufficient reliance on the Wellington City Council, by the Trust, for a related party relationship to exist. Additionally the Council consolidates the financial results of the Trust for its own reporting purposes.

The Trust operates under a funding deed agreement with the Council which requires the Trust to deliver museum services in accordance with the provisions of the Trust Deed, the Funding Agreement and the Statement of Intent, agreed with Wellington City Council on an annual basis.

The Funding Deed is for a period of three years and is extended annually for a further year.

The rental grant is paid back to the Wellington City Council as rent on properties owned by the Wellington City Council and occupied by the Museum of Wellington City & Sea, Capital E and the City Gallery Wellington.

9. Creditors

	2005	2004
	\$	\$
Trade creditors	99,184	138,787
	<u>99,184</u>	<u>138,787</u>

Lease payments for the year totalled \$nil, excluding building lease payments disclosed in Note 3. (2004: \$nil).

10. Accruals and Provisions

	2005	2004
	\$	\$
Accruals and provisions include:		
Provision for holiday pay	81,803	77,155
Provision for ACC	10,550	9,474

11. Term Liabilities

The term loan was taken out as from 8 July 2000 for a period of ten years. The current interest rate is 8.99% and is reviewed quarterly based on the 90 day commercial bill rate. The next review is in July 2005. This loan is guaranteed by the Wellington City Council.

12. Capital Commitments

Capital commitments which are not included within the normal accruals and provisions were \$141,787 (2004: \$nil)

13. Commitments under Building Lease

On 8 June 1999, the Wellington Museums Trust signed a 12 year lease agreement with a further 12 year right of renewal with the Wellington City Council for the rental of the Bond Store premises. The current and non-current lease commitments under this agreement are for \$322,466 (2004: \$322,466) and \$1,612,330 (2004: \$1,934,796) respectively. Under the funding deed between the Wellington Museums Trust and the Wellington City Council, the Trust is reimbursed for these costs.

WELLINGTON MUSEUMS TRUST INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

14. Reconciliation of Operating Surplus to Net Cash Flows from Operating Activities

	2005	2004
	\$	\$
Operating (Deficit)/Surplus for the Year	(99,945)	46,152
Adjustments:		
Add Non-Cash Items:		
Depreciation	425,102	415,755
Movements in Working Capital:		
Decrease/(Increase) in Other Current Assets	(58,585)	86,136
(Decrease)/Increase in Trade Creditors	(39,603)	24,074
(Decrease)/Increase in Accruals and Provisions	170,837	(212,256)
	72,649	(102,044)
Net Cash Inflow from Operating Activities	397,806	359,863

15. Other Grants, Sponsorship & Donations

Included in other grants, sponsorships and donations are the following grants towards Capital E National Theatre for Children's visit to the following centres, during the period ended 30 June 2005, as part of the national tour:

	2005	2004
	\$	\$
Eastern & Central Community Trust (Gisborne, Palmerston North and Napier)	3,000	-
The Community Trust	8,000	-
The Community Trust of Otago	3,000	-
Trust House Charitable Trust	1,067	-
The Community Trust of Southland	4,274	-
The Southern Trust	10,000	-
Bay of Plenty Community Trust (Tauranga and Rotorua)	-	2,500
New Zealand Community Trust	15,000	30,000
Tararua Foundation	-	1,000

16. Events after Balance Date

There have been no significant events after balance date that have affected the accuracy of these financial statements.

17. Statement of Intent – Adoption of New Zealand International Financial Reporting Standards

The Trust intends to adopt NZ IFRS for external reporting purposes for the accounting period commencing 1 July 2006. This is one year earlier than the 1 July 2007 deadline. This timeline is in accordance with the adoption date for the Wellington City Council, which the Trust is consolidated into for reporting purposes. As at balance date the Trust had not yet commenced a project to identify the differences between existing NZ GAAP and NZIFRS.