



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for the Arts

#### Opinion

In my opinion, the financial statements of the National Museum of Australia for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Museum of Australia as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the National Museum of Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

#### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the National Museum of Australia in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the National Museum of Australia, the Council Members are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Council Members are also responsible for such internal control as the Council Members determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council Members are responsible for assessing the National Museum of Australia's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Council Members are also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

#### Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Jocelyn Ashford

Senior Executive Director

Delegate of the Auditor-General

Canberra

17 August 2017

**STATEMENT BY THE ACCOUNTABLE AUTHORITY, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that National Museum of Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.



David Jones  
Chair  
17 August 2017



Dr Mathew Trinca  
Director  
17 August 2017



Ian Campbell  
Chief Financial Officer  
17 August 2017

**Statement of Comprehensive Income***for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee Benefits	1.1A	21,271	21,634	21,116
Suppliers	1.1B	19,828	18,179	16,515
Depreciation and amortisation	2.2A	8,783	8,446	8,510
Write-Down and Impairment of Assets		33	16	-
Losses (gains) from asset sales		64	51	-
Subsidies		92	44	-
<b>Total expenses</b>		<b>50,071</b>	<b>48,370</b>	<b>46,141</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of Goods and Rendering of Services	1.2A	7,232	3,102	3,742
Interest	1.2B	1,275	1,421	1,512
Other Revenue	1.2C	1,501	1,286	400
<b>Total own-source revenue</b>		<b>10,008</b>	<b>5,809</b>	<b>5,654</b>
<b>Gains</b>				
Donated Assets	1.2D	235	453	-
<b>Total gains</b>		<b>235</b>	<b>453</b>	<b>-</b>
<b>Total own-source income</b>		<b>10,243</b>	<b>6,262</b>	<b>5,654</b>
<b>Net (cost of)/contribution by services</b>		<b>(39,828)</b>	<b>(42,108)</b>	<b>(40,487)</b>
Revenue from Government	1.2E	39,375	40,819	39,327
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>(453)</b>	<b>(1,289)</b>	<b>(1,160)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Revaluation increments		1,381	3,391	-
<b>Total other comprehensive income</b>		<b>1,381</b>	<b>3,391</b>	<b>-</b>

The above statement should be read in conjunction with the accompanying notes.

### Budget Variances Commentary

The National Museum of Australia has a single Outcome that is reported in the Overview.

The original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO).

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$300,000.

Suppliers	Variance is due to increased costs to support the temporary exhibition, <i>A History of the World in 100 Objects from the British Museum</i> , as a result of higher than estimated visitation numbers. In addition, the Museum conducted an Indigenous scholarship program and ran a virtual reality public program that was not included in the original budget.
Sale of goods and rendering of services	Variance is due to higher returns on commercial activities as a result of visitation to the temporary exhibition being higher than estimated.
Other revenue	The Museum was successful in receiving more grant funding from Commonwealth and State Governments to support the major temporary exhibition and travelling exhibitions than estimated. Successful grant applications are not known when setting the budget.
Donated assets	Relates to donated objects for the National Historical Collection. Donated assets are not included in the budget.
Changes in asset revaluation surplus	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.

**Statement of Financial Position***as at 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and Cash Equivalents	2.1A	900	1,766	1,910
Trade and Other Receivables	2.1B	1,413	1,052	1,097
Held-to-Maturity Assets: Term Deposits	2.1	40,000	41,000	35,300
<b>Total financial assets</b>		<b>42,313</b>	<b>43,818</b>	<b>38,307</b>
<b>Non-financial assets</b>				
Land	2.2A	7,570	6,306	6,306
Buildings	2.2A	95,909	101,403	98,763
Heritage and cultural	2.2A	276,809	270,488	270,532
Plant and equipment	2.2A	56,014	53,398	59,198
Computer software	2.2A	1,277	916	913
Other intangibles	2.2A	1,629	1,567	117
Inventories		613	510	471
Prepayments		496	442	621
<b>Total non-financial assets</b>		<b>440,317</b>	<b>435,030</b>	<b>436,921</b>
<b>Total assets</b>		<b>482,630</b>	<b>478,848</b>	<b>475,228</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	2,239	1,509	1,368
Other Payables	2.3B	353	405	244
<b>Total payables</b>		<b>2,592</b>	<b>1,914</b>	<b>1,612</b>
<b>Provisions</b>				
Employee Provisions	4.1A	6,568	6,329	5,962
<b>Total provisions</b>		<b>6,568</b>	<b>6,329</b>	<b>5,962</b>
<b>Total liabilities</b>		<b>9,160</b>	<b>8,243</b>	<b>7,574</b>
<b>Net assets</b>		<b>473,470</b>	<b>470,605</b>	<b>467,654</b>
<b>EQUITY</b>				
Contributed equity		29,289	27,352	29,289
Reserves		185,043	183,662	180,271
Retained surplus/(Accumulated deficit)		259,138	259,591	258,094
<b>Total equity</b>		<b>473,470</b>	<b>470,605</b>	<b>467,654</b>

The above statement should be read in conjunction with the accompanying notes.

### Budget Variances Commentary

The original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO).

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$700,000.

Cash and cash equivalents	Variance is due to higher than estimated payments in June and maintaining higher levels of cash held in term deposits than expected.
Held-to-maturity assets	Variance is due to higher than estimated revenue from operations which meant the forecast need to utilise term deposits did not occur.
Land	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.
Other intangibles	Variance is due to increased development of digital assets and multimedia not included in the original budget.
Suppliers	Variance is due to higher than normal delays in receiving invoices from suppliers.
Employee provisions	The variance is due to greater than anticipated staffing levels.
Asset revaluation reserve	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.

**Statement of Changes in Equity***for the period ended 30 June 2017*

	2017	2016	Original Budget 2017
	\$'000	\$'000	\$'000
<b>CONTRIBUTED EQUITY</b>			
<b>Opening balance</b>	27,352	25,408	27,352
<b>Contributions by owners</b>			
Equity injection	1,937	1,944	1,937
<b>Total transactions with owners</b>	1,937	1,944	1,937
<b>Closing balance as at 30 June</b>	29,289	27,352	29,289
<b>RETAINED EARNINGS</b>			
<b>Opening balance</b>	259,591	260,880	259,254
<b>Comprehensive income</b>			
Deficit for the period	(453)	(1,289)	(1,160)
<b>Total comprehensive income</b>	(453)	(1,289)	(1,160)
<b>Closing balance as at 30 June</b>	259,138	259,591	258,094
<b>ASSET REVALUATION RESERVE</b>			
<b>Opening balance</b>	183,662	180,271	180,271
<b>Comprehensive income</b>			
Revaluation increments	1,381	3,391	-
<b>Total comprehensive income</b>	1,381	3,391	-
<b>Closing balance as at 30 June</b>	185,043	183,662	180,271
<b>TOTAL EQUITY</b>			
<b>Comprehensive income</b>			
Deficit for the period	(453)	(1,289)	(1,160)
Other comprehensive income	1,381	3,391	-
<b>Total comprehensive income</b>	928	2,102	(1,160)
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Equity injection	1,937	1,944	1,937
<b>Total transactions with owners</b>	1,937	1,944	1,937
<b>Closing balance as at 30 June</b>	473,470	470,605	467,654

The above statement should be read in conjunction with the accompanying notes.

**Accounting Policy***Equity Injections*

Amounts appropriated which are designated as 'equity injections' for a year are recognised directly in contributed equity in that year.

**Budget Variances Commentary**

The original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO).

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$200,000.

Retained Earnings - deficit for the period	Variance is due to higher than estimated revenue from operations.
Asset Revaluation Reserve - Revaluation increments	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.



**Cash Flow Statement***for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Receipts from Government		39,375	40,819	39,327
Sale of goods and rendering of services		7,035	2,920	3,759
Interest		1,085	1,479	1,424
Net GST received		2,494	2,591	2,864
Donations, sponsorships and grants		1,353	1,207	500
<b>Total cash received</b>		<b>51,342</b>	<b>49,016</b>	<b>47,874</b>
<b>Cash used</b>				
Employees		20,911	21,668	20,794
Suppliers		19,140	18,535	17,566
Net GST paid		2,643	2,316	2,860
Subsidies		92	44	-
<b>Total cash used</b>		<b>42,786</b>	<b>42,563</b>	<b>41,220</b>
<b>Net cash from/(used by) operating activities</b>		<b>8,556</b>	<b>6,453</b>	<b>6,654</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sales of property, plant and equipment		4	4	-
Term deposit redemptions		61,000	57,000	47,000
<b>Total cash received</b>		<b>61,004</b>	<b>57,004</b>	<b>47,000</b>
<b>Cash used</b>				
Purchase of property, plant, equipment and intangibles		12,363	6,415	10,287
Term deposit investments		60,000	58,000	45,300
<b>Total cash used</b>		<b>72,363</b>	<b>66,074</b>	<b>55,587</b>
<b>Net cash from/(used by) investing activities</b>		<b>(11,359)</b>	<b>(9,070)</b>	<b>(8,587)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Equity injections		1,937	1,944	1,937
<b>Total cash received</b>		<b>1,937</b>	<b>1,944</b>	<b>1,937</b>
<b>Net increase/(decrease) in cash held</b>		<b>(866)</b>	<b>(673)</b>	<b>4</b>
Cash and cash equivalents at the beginning of the reporting period		1,766	2,439	1,906
<b>Cash and cash equivalents at the end of the reporting period</b>	2.1A	<b>900</b>	<b>1,766</b>	<b>1,910</b>

The above statement should be read in conjunction with the accompanying notes.

### Budget Variances Commentary

The original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO).

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$200,000.

Sale of goods and rendering of services	Variance is due to higher than estimated returns on commercial activities as a result of visitation numbers being higher than forecast.
Interest	Variance is due to investing in deposits with longer terms and interest being paid on maturity. This resulted in less term deposits maturing and receiving the cash interest.
Net GST received	Variance is due to higher than estimated expenditure on property, plant and equipment items that were not subject to GST. Therefore, less GST is reimbursed from the Australian Taxation Office.
Donations, sponsorships and grants	Cash donations and grants received from Commonwealth and State Governments for temporary and touring exhibitions were higher than budget expectations.
Suppliers	Variance is due to higher costs to support commercial activities and temporary exhibitions, as visitation numbers were higher than estimated.
Term deposit redemptions and investments	Variance is due to higher than estimated revenue from operations, therefore requiring less access to funds in term deposits.
Purchase of property, plant, equipment and intangibles	Variance is due to an increase in major capital projects associated with plant replacement, gallery refurbishment, infrastructure redevelopment and the creation of digital assets and multimedia.

## Overview

### The Basis of Preparation

The financial statements of the National Museum of Australia (the Museum) are general purpose financial statements and are required by section 42 of the *Public Governance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

### New Accounting Standards

All new, revised or amending standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period were adopted and did not have a material effect on the entity's financial statements.

Adoption of the revised AASB124 *Related Party Disclosures* has led to additional disclosures within these financial statements as per note 4.3.

All new, revised or amending standards or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the Museum's financial statements.

### Taxation

The entity is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

### Events After the Reporting Period

There are no events after the reporting period that will materially affect the financial statements.

## Financial Performance

This section analyses the financial performance of the National Museum of Australia for the year ended 30 June 2017.

### 1.1 Expenses

	2017 \$'000	2016 \$'000
<b>1.1A: Employee Benefits</b>		
Wages and salaries	15,825	16,021
Superannuation		
Defined contribution plans	1,571	1,585
Defined benefit plans	1,859	1,719
Leave and other entitlements	2,016	2,173
Separation and redundancies	-	136
<b>Total employee benefits</b>	<b>21,271</b>	<b>21,634</b>

#### Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

### 1.1B: Suppliers

#### Goods and services supplied or rendered

Cost of goods sold	1,543	956
Travel	552	559
IT services and communications	1,394	1,464
Property services	6,969	6,730
Professional services	1,201	846
Exhibitions and collection management	1,841	1,953
Staff support services	786	1,081
Promotions and consumables	2,553	1,607
<b>Total goods and services supplied or rendered</b>	<b>16,839</b>	<b>15,196</b>
Goods supplied	5,255	4,361
Services rendered	11,584	10,835
<b>Total goods and services supplied or rendered</b>	<b>16,839</b>	<b>15,196</b>

#### Other suppliers

Operating lease rentals	2,319	2,247
Workers compensation expenses	670	736
<b>Total other suppliers</b>	<b>2,989</b>	<b>2,983</b>
<b>Total suppliers</b>	<b>19,828</b>	<b>18,179</b>

#### Leasing commitments

The National Museum of Australia in its capacity as lessee has lease arrangements for office accommodation, warehouse facilities and motor vehicles. Accommodation and warehouse leases are subject to annual increases according to the terms of the lease agreement. Increases are based on movements in the Consumer Price Index or market reviews. Leases may be renewed up to five years at the Museum's discretion. Leases are expensed on a straight-line basis, representative of the pattern of benefits derived from the leased assets.

No contingent leases or purchase options exist for motor vehicle leases.

#### Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	2,720	987
Between 1 to 5 years	1,264	15
More than 5 years	-	-
<b>Total operating lease commitments</b>	<b>3,984</b>	<b>1,002</b>

#### Accounting Policy

The National Museum of Australia has only operating leases where lease payments are expensed on a straight-line basis, representative of the pattern of benefits derived from the leased assets.

## Financial Performance

### 1.2 Own-Source Revenue and gains

	2017	2016
	\$'000	\$'000

#### Own-Source Revenue

##### 1.2A: Sale of Goods and Rendering of Services

Sale of goods	3,125	1,863
Rendering of services	4,107	1,239
<b>Total sale of goods and rendering of services</b>	<b>7,232</b>	<b>3,102</b>

##### Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer; and
- b) the entity retains no managerial involvement or effective control over the goods.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The stage of completion is determined by reference to the services performed to date.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due, less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

##### 1.2B: Interest

Deposits	1,275	1,421
<b>Total interest</b>	<b>1,275</b>	<b>1,421</b>

##### Accounting Policy

Interest revenue is recognised using the effective interest rate method.

##### 1.2C: Other Revenue

Donations	309	75
Sponsorships	148	79
Grants	1,044	1,132
<b>Total other revenue</b>	<b>1,501</b>	<b>1,286</b>

##### Accounting Policy

Cash received through sponsorship arrangements and donations is recognised as revenue on receipt.

Resources received free of charge through sponsorship arrangements are recognised as revenue when the resources are received, a fair value can be reliably determined and the Museum would have purchased the resources if they were not provided free of charge. Use of those resources is recognised as an expense.

Grants are assessed for revenue recognition in accordance with *AASB 118 Revenue* and *AASB 1004 Contributions*. Grants satisfying the criteria to be classified as reciprocal are recognised as revenue by reference to the requirements of the grant agreement. Grants not satisfying the criteria are recognised as revenue when cash is received.

#### Gains

##### 1.2D: Donated Assets

Donated assets	235	453
<b>Total other gains</b>	<b>235</b>	<b>453</b>

##### Accounting Policy

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements.

##### 1.2E: Revenue from Government

Corporate Commonwealth entity payment item	39,375	40,819
<b>Total revenue from Government</b>	<b>39,375</b>	<b>40,819</b>

##### Accounting Policy

Funding received or receivable from the Department of Communications and the Arts is recognised as Revenue from Government by the Museum unless the funding is in the nature of an equity injection or a loan.

## Financial Position

This section analyses the National Museum of Australia's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

### 2.1 Financial Assets

	2017	2016
	\$'000	\$'000
<b>2.1A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	900	1,766
<b>Total cash and cash equivalents</b>	<b>900</b>	<b>1,766</b>
<b>Accounting Policy</b>		
Cash is recognised at its nominal amount. Cash and cash equivalents include:		
a) cash on hand; and		
b) demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.		
<b>2.1B: Trade and Other Receivables</b>		
<b>Goods and services receivables</b>		
Goods and services	398	374
<b>Total goods and services receivables</b>	<b>398</b>	<b>374</b>
<b>Other receivables</b>		
Interest	665	475
GST receivable from the Australian Taxation Office	350	203
<b>Total other receivables</b>	<b>1,015</b>	<b>678</b>
<b>Total trade and other receivables (net)</b>	<b>1,413</b>	<b>1,052</b>

Credit terms for goods and services were within 30 days (2016: 30 days).

#### Accounting Policy

##### Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

##### Held-to-Maturity Assets

Held-to-maturity assets are initially recognised at fair value and subsequently at amortised costs using the effective interest rate method.

##### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held-to-maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### Financial Risk Management

#### **Credit Risk**

The Museum is exposed to minimal credit risk as the majority of loans and receivables and held-to-maturity investments are cash deposits held with financial institutions. The maximum exposure to credit risk is the risk that arises from potential default of a trade debtor.

The Museum has no significant exposures to any concentrations of credit risk and has policies and procedures which outline investment of surplus cash and debt recovery techniques.

#### **Interest rate risk**

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Museum is exposed to interest rate risk primarily from held-to-maturity investments and manages this risk by analysing possible interest rate movements over the term of financial assets upon entering into the investment.

## Financial Position

### 2.2 Non-Financial Assets

#### 2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Land \$'000	Buildings \$'000	Heritage and cultural <sup>1</sup> \$'000	Plant and equipment \$'000	Computer Software purchased \$'000	Other Intangibles \$'000	Total \$'000
<b>As at 1 July 2016</b>							
Gross book value	6,306	102,094	270,488	63,942	1,728	3,104	447,662
Accumulated depreciation, amortisation and impairment	-	(691)	-	(10,544)	(812)	(1,537)	(13,584)
<b>Total as at 1 July 2016</b>	<b>6,306</b>	<b>101,403</b>	<b>270,488</b>	<b>53,398</b>	<b>916</b>	<b>1,567</b>	<b>434,078</b>
Additions							
Purchase	-	8	2,952	8,517	578	-	12,055
Internally developed	-	-	-	-	-	308	308
Donation/Gift	-	-	235	-	-	-	235
Revaluations and impairments recognised in other comprehensive income	1,264	(4,048)	4,272	(107)	-	-	1,381
Depreciation and amortisation	-	(1,454)	(1,138)	(5,728)	(217)	(246)	(8,783)
Disposals							
Gross book value	-	-	-	(982)	-	-	(982)
Accumulated depreciation, amortisation and impairment	-	-	-	916	-	-	916
<b>Total as at 30 June 2017</b>	<b>7,570</b>	<b>95,909</b>	<b>276,809</b>	<b>56,014</b>	<b>1,277</b>	<b>1,629</b>	<b>439,208</b>
<b>Total as at 30 June 2017 represented by</b>							
Gross book value	7,570	95,909	276,809	56,014	2,306	3,412	442,020
Accumulated depreciation, amortisation and impairment	-	-	-	-	(1,029)	(1,783)	(2,812)
<b>Total as at 30 June 2017</b>	<b>7,570</b>	<b>95,909</b>	<b>276,809</b>	<b>56,014</b>	<b>1,277</b>	<b>1,629</b>	<b>439,208</b>

1. Land, buildings and other property, plant and equipment that meet the definition of a heritage and cultural item are disclosed in the heritage and cultural asset class.

#### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated on the following page. On 30 June 2017, independent valuers conducted revaluations for land, buildings and plant and equipment. A management valuation was conducted for heritage and cultural assets.

#### Contractual commitments for the acquisition of property, plant, equipment and intangible assets

The National Museum of Australia has contractual commitments for property, plant, equipment and intangibles of \$3,934,405. Commitments are primarily for the upgrade of public spaces, replacement of equipment and development of multimedia interactives.

## Financial Position

### Accounting Policy

#### Property, plant and equipment

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

#### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

#### Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

#### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Museum using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Buildings on freehold land	100 years
Leasehold improvements	Lease term
Plant and Equipment	4-100 years
Heritage and Cultural assets	50-5,000 years

#### Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### Heritage and Cultural Assets

The Museum collects, manages and displays heritage and cultural assets of Australian history. The collection is held in trust for the nation. A key objective of the Museum is preservation of the collection. Details in relation to the Museum's curatorial and preservation policies are posted on the Museum's website at:

[www.nma.gov.au/about\\_us/ips/policies/collection\\_care\\_and\\_preservation\\_policy](http://www.nma.gov.au/about_us/ips/policies/collection_care_and_preservation_policy).



## Financial Position

### Accounting Judgements and Estimates

The fair value of land has been taken to be the market value as assessed by an independent valuer every three years.

The fair value of buildings, leasehold improvements and other property, plant and equipment has been taken to be the depreciated replacement cost as assessed by independent valuers every three years.

The fair value of heritage and cultural assets is based on market observations. The Museum's collections are diverse with many objects being iconic with limited markets for comparison. The Museum has made significant estimates in measuring the impact of providence to the value of collection objects. A sampling methodology is adopted for valuation with a sample of objects selected from each collection category. Values for the sample are determined by reference to art, antiques and collectable markets and an average value applied to the entire collection category. Independent valuations are conducted every three years by a valuer on the approved list of valuers for the Cultural Gift Program administered by the Ministry for the Arts. In the years between valuations, advice is received from the valuer of estimated movements in markets that may impact the value of the collections. A management revaluation occurs when there is evidence of a significant variation to prices.

### Accounting Policy

#### Intangibles

The National Museum of Australia's intangibles comprise internally developed multimedia applications for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Museum's software are four to eight years (2015: 4 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

### Fair Value Measurement

#### Accounting Policy

The Museum procures valuation services from independent valuers. The valuers provide written assurance to the Museum that the valuation is in compliance with AASB 13.

The significant unobservable input used in the fair value measurement of the Museum's land is the adjustment made to sales evidence to reflect the difference between unrestricted crown leasehold land and assets held by the Public Sector which may be affected due to political, social and economic restraints because it is in a public use zone or considered an iconic property that would be difficult to sell.

The significant unobservable inputs used in the fair value measurement of the Museum's buildings, leasehold improvements and other property, plant and equipment are relevant industry indices. Significant increases (decreases) of the indices would result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Museum's heritage and cultural assets are private sales of similar artwork, antiques and collectables and professional appraisals of similar items, taking into account the provenance of particular items held by the Museum.

Significant increases (decreases) in any of these inputs in isolation would result in a significantly higher (lower) fair value measurement.

## Financial Position

### 2.3 Payables

	2017	2016
	\$'000	\$'000

#### **2.3A: Suppliers**

Trade creditors and accruals	2,233	1,486
Operating lease rentals	6	23
<b>Total suppliers</b>	<b>2,239</b>	<b>1,509</b>

Settlement is usually made within 30 days.

#### **Accounting Policy**

##### **Financial liabilities**

Financial liabilities are initially recognised at fair value and subsequently at amortised cost. Financial liabilities are recognised and derecognised upon 'trade date'.

##### **Liquidity Risk**

Liquidity risk is the risk that the National Museum of Australia will not be able to meet its obligations as they fall due.

The Museum's financial liabilities are trade and other creditors. The exposure to liquidity risk is based on the probability that the Museum will encounter difficulty in meeting its obligations associated with financial liabilities. This risk is minimal due to appropriation funding and continuous monitoring of cash flows.

#### **2.3B: Other Payables**

Salaries and wages	272	164
Prepayments received/unearned income	55	228
<b>Total other payables</b>	<b>353</b>	<b>405</b>

## People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

### 4.1 Employee Provisions

	2017 \$'000	2016 \$'000
<b>4.1A: Employee Provisions</b>		
Leave	6,568	6,329
<b>Total employee provisions</b>	<b>6,568</b>	<b>6,329</b>

#### Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period.

#### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Museum's employer superannuation contribution rates, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the short hand method as set out in Resource Management Guide 125, Commonwealth Entities Financial Statement Guide.

#### *Superannuation*

The Museum's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Museum makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Museum accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.