



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for the Arts

I have audited the accompanying annual financial statements of the National Museum of Australia for the year ended 30 June 2016, which comprises a Statement by the Council Members, Director and Chief Financial Officer, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements.

### *Opinion*

In my opinion, the financial statements of the National Museum of Australia:

- (a) comply with Australian Accounting Standards 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 2016 and its financial performance and cash flows for the year then ended.

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

The Council Members of the National Museum of Australia 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 and the rules made under that Act and are also responsible for such internal control as the Council Members determine are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

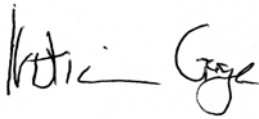
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Kristian Gage', written in a cursive style.

Kristian Gage  
Executive Director

Delegate of the Auditor-General

Canberra  
9 September 2016

**STATEMENT BY COUNCIL MEMBERS, DIRECTOR AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2016 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 the 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

9 September 2016



Mathew Trinca  
Director

9 September 2016



Ian Campbell  
Chief Financial Officer

9 September 2016

**Statement of Comprehensive Income***for the year ended 30 June 2016*

		Actual 2016 \$'000	Actual 2015 \$'000	Original Budget 2016 \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	21,634	21,576	21,099
Suppliers	1.1B	18,179	17,993	17,263
Depreciation and amortisation	2.2A	8,446	8,320	8,477
Inventory write-offs		16	94	-
Losses (gains) from asset sales		51	(6)	-
Subsidies		44	221	-
<b>Total expenses</b>		<b>48,370</b>	<b>48,198</b>	<b>46,839</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	3,102	2,906	2,519
Interest	1.2B	1,421	1,594	1,552
Other revenue	1.2C	1,286	395	200
<b>Total own-source revenue</b>		<b>5,809</b>	<b>4,895</b>	<b>4,271</b>
<b>Gains</b>				
Donated assets	1.2D	453	271	-
<b>Total gains</b>		<b>453</b>	<b>271</b>	<b>-</b>
<b>Total own-source income</b>		<b>6,262</b>	<b>5,166</b>	<b>4,271</b>
<b>Net cost of services</b>		<b>(42,108)</b>	<b>(43,032)</b>	<b>(42,568)</b>
Revenue from Government	1.2E	40,819	41,590	41,441
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>(1,289)</b>	<b>(1,442)</b>	<b>(1,127)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		3,391	7,606	-
<b>Total other comprehensive income</b>		<b>2,102</b>	<b>6,164</b>	<b>(1,127)</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 2015-16 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australia 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% or \$300,000

Employees	Variance is due additional payments to defined benefits superannuation schemes following an actuarial review and an increase in leave expenses caused by a decrease in bond rates over the period used to calculate the discount rate applicable to long service leave liabilities.
Suppliers	Variance is due to higher than expected expenditure on temporary and touring exhibitions funded by higher than estimated grant revenue.
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.
Other revenue	Grants received from Commonwealth and State Governments for exhibitions higher than budget expectations.
Donated assets	Relates to donated objects for the National Historical Collection. Donated assets are not included in budget.
Revenue from Government	Variance due to a reduction in funding from savings announced by the Commonwealth Government at MYEFO.
Changes in asset revaluation surplus	Actual results include impact of asset revaluations conducted at year-end, which are difficult to predict for budget purposes and therefore no allowance was made within the budget.

**Statement of Financial Position***as at 30 June 2016*

		Actual 2016 \$'000	Actual 2015 \$'000	Original Budget 2016 \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.1A	1,766	2,439	1,033
Trade and other receivables	2.1B	1,052	1,100	729
Held-to-maturity assets : Term Deposits		41,000	40,000	35,500
<b>Total financial assets</b>		<b>43,818</b>	<b>43,539</b>	<b>37,262</b>
<b>Non-financial assets</b>				
Land	2.2A	6,306	6,306	6,306
Buildings	2.2A	101,403	100,466	99,586
Heritage and cultural	2.2A	270,488	268,183	261,468
Plant and equipment	2.2A	53,398	54,329	60,790
Computer software	2.2A	916	1,065	768
Other intangibles	2.2A	1,567	317	331
Inventories held for resale		510	471	559
Prepayments		442	621	439
<b>Total non-financial assets</b>		<b>435,030</b>	<b>431,758</b>	<b>430,247</b>
<b>Total assets</b>		<b>478,848</b>	<b>475,297</b>	<b>467,509</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	1,509	2,068	2,024
Other payables	2.3B	405	919	132
<b>Total payables</b>		<b>1,914</b>	<b>2,987</b>	<b>2,156</b>
<b>Provisions</b>				
Employee provisions	4.1A	6,329	5,751	5,618
<b>Total provisions</b>		<b>6,329</b>	<b>5,751</b>	<b>5,618</b>
<b>Total liabilities</b>		<b>8,243</b>	<b>8,738</b>	<b>7,774</b>
<b>Net assets</b>		<b>470,605</b>	<b>466,559</b>	<b>459,735</b>
<b>EQUITY</b>				
Contributed equity		27,352	25,408	27,352
Asset revaluation reserve		183,662	180,271	172,666
Retained surplus		259,591	260,880	259,717
<b>Total equity</b>		<b>470,605</b>	<b>466,559</b>	<b>459,735</b>

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

### Budget Variances Commentary

The original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australia 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% or \$700,000.

Cash and cash equivalents, Held-to-maturity assets	Variance is due to delays in replacement of major plant and equipment scheduled for 2015-16. This meant cash and term deposits were higher than expected at year end.
Trade and other receivables	Budget is set with reference to 2014-15 actuals. Actuals exceed budget due to high level of receipts owing from venue hire towards the end of the year that are difficult to predict with accuracy. The outstanding amounts are not overdue.
Buildings, Heritage and cultural	Budget is set with reference to 2014-15 actuals with adjustments for known movements at that time. Actual results include impact of asset revaluations conducted at year-end, which are difficult to predict for budget purposes, and therefore no allowance was made within the budget.
Plant and Equipment	Variance is from delays in major projects associated plant replacement, gallery refurbishment and infrastructure redevelopment.
Computer software, Other intangibles	Actuals include development of the interactive game <i>Kspace</i> . Plant and equipment and Computer Software and intangibles were combined for budgetary purposes.
Employee provisions	The variance is due to a higher than expected change in bond rates over the period used to calculate the discount rate applicable to long service leave liabilities.
Asset revaluation reserve	Actual results include impact of asset revaluations conducted at year-end, which are difficult to predict for budget purposes and therefore no allowance was made within the budget.

## Statement of Changes in Equity

for the period ended 30 June 2016

	Actual 2016 \$'000	Actual 2015 \$'000	Original Budget 2016 \$'000
<b>CONTRIBUTED EQUITY</b>			
<b>Opening balance</b>	<b>25,408</b>	23,444	25,408
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Equity injection	1,944	1,964	1,944
<b>Total transactions with owners</b>	<b>1,944</b>	1,964	1,944
<b>Closing balance as at 30 June</b>	<b>27,352</b>	25,408	27,352
<b>RETAINED EARNINGS</b>			
<b>Opening balance</b>	<b>260,880</b>	262,322	260,844
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	(1,289)	(1,442)	(1,127)
<b>Total comprehensive income</b>	<b>(1,289)</b>	(1,442)	(1,127)
<b>Closing balance as at 30 June</b>	<b>259,591</b>	260,880	259,717
<b>ASSET REVALUATION RESERVE</b>			
<b>Opening balance</b>	<b>180,271</b>	172,665	172,666
<b>Comprehensive income</b>			
Other comprehensive income	3,391	7,606	-
<b>Total comprehensive income</b>	<b>3,391</b>	7,606	-
<b>Closing balance as at 30 June</b>	<b>183,662</b>	180,271	172,666
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>	<b>466,559</b>	458,431	458,918
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	(1,289)	(1,442)	(1,127)
Other comprehensive income	3,391	7,606	-
<b>Total comprehensive income</b>	<b>2,102</b>	6,164	(1,127)
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Equity injection	1,944	1,964	1,944
<b>Total transactions with owners</b>	<b>1,944</b>	1,964	1,944
<b>Closing balance as at 30 June</b>	<b>470,605</b>	466,559	459,735

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 2015-16 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australia 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.

Asset Revaluation Reserve - other comprehensive income	Asset revaluations conducted at year-end are difficult to predict for budget purposes and therefore no allowance was made within the budget.
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## Cash Flow Statement

for the year ended 30 June 2016

		Actual 2016 \$'000	Actual 2015 \$'000	Original Budget 2016 \$'000
	<b>Notes</b>			
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Receipts from Government		40,819	41,590	41,441
Sale of goods and rendering of services		2,920	2,938	2,562
Interest		1,479	1,578	1,404
Net GST received		2,591	2,150	2,811
Other		1,207	369	300
<b>Total cash received</b>		<b>49,016</b>	<b>48,625</b>	<b>48,518</b>
<b>Cash used</b>				
Employees		21,668	21,106	21,715
Suppliers		18,535	18,145	17,221
Net GST paid		2,316	2,274	-
Other		44	221	2,812
<b>Total cash used</b>		<b>42,563</b>	<b>41,746</b>	<b>41,748</b>
<b>Net cash from operating activities</b>	3.2	<b>6,453</b>	<b>6,879</b>	<b>6,770</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sales of property, plant and equipment		4	9	-
Investments		57,000	50,000	50,000
<b>Total cash received</b>		<b>57,004</b>	<b>50,009</b>	<b>50,000</b>
<b>Cash used</b>				
Purchase of property, plant and equipment		6,415	6,389	11,863
Purchase of intangibles		1,659	346	-
Investments		58,000	51,000	47,000
<b>Total cash used</b>		<b>66,074</b>	<b>57,735</b>	<b>58,863</b>
<b>Net cash used by investing activities</b>		<b>(9,070)</b>	<b>(7,726)</b>	<b>(8,863)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Other		1,944	1,964	1,944
<b>Total cash received</b>		<b>1,944</b>	<b>1,964</b>	<b>1,944</b>
<b>Net cash from financing activities</b>		<b>1,944</b>	<b>1,964</b>	<b>1,944</b>
<b>Net increase/(decrease) in cash held</b>		<b>(673)</b>	<b>1,117</b>	<b>(149)</b>
Cash and cash equivalents at the beginning of the reporting period		2,439	1,322	1,182
<b>Cash and cash equivalents at the end of the reporting period</b>	2.1A	<b>1,766</b>	<b>2,439</b>	<b>1,033</b>

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

### Budget Variances Commentary

The original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australia 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.

Receipt from Government	Variance is primarily due to implementation of efficiency savings announced in MYEFO
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.
Other cash received	Grants received from Commonwealth and State Governments for temporary and touring exhibitions higher than budget expectations.
Suppliers	Variance is due to higher than expected expenditure on temporary and touring exhibitions funded by higher than estimated grant revenue.
Net GST received, Other	The budget for net GST received was inadvertently recorded as Other cash used. Hence the budget for net GST used is zero and the budget for other cash used is overstated.
Investments	Variance is due to higher than estimated maturity and re-investment in short term deposits following delays in major projects associated plant replacement, gallery refurbishment and infrastructure redevelopment.
Purchase of property, plant and equipment	Variance is due to delays in in major projects, associated plant replacement, gallery refurbishment and infrastructure redevelopment.
Purchase of intangibles	Purchase of intangibles and property, plant and equipment were combined for budgetary purposes.

## Overview

### Objectives of the National Museum of Australia

The National Museum of Australia is an Australian Government controlled entity. It is a not-for-profit entity.

The objective of the National Museum of Australia is to promote an understanding of Australia's history and an awareness of future possibilities by:

- developing, preserving and exhibiting a significant collection;
- taking a leadership role in research and scholarship;
- engaging and providing access for audiences nationally and internationally; and
- delivering innovative programs.

The National Museum of Australia is structured to meet the following outcome:

Outcome 1: To increase awareness and understanding of Australia's history and culture by managing the National Museum of Australia's collections and providing access through public programs and exhibitions.

The continued existence of the National Museum of Australia in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the National Museum of Australia's administration and programs.

### The Basis of Preparation

The financial statements are general purpose financial statements required by the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations 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

#### *Adoption of New Australian Accounting Standard Requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard.

No new, revised or amending standards and interpretations are applicable to the current reporting period.

## Overview

### *Future Australian Accounting Standard Requirements*

The following new, revised and amending standards and interpretations were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Council, Director and Chief Finance Officer, and, apart from AASB16 *Leases*, are not expected to have a material impact on the National Museum of Australia's financial statements for future reporting periods but will affect disclosure:

Standard/ Interpretation	Application date for the National Museum of Australia <sup>1</sup>	Nature of impending change/s in accounting policy and likely impact on initial application
<i>AASB 9 Financial Instruments</i>	1 July 2018	The standard incorporates the classification and measurement requirements for financial liabilities, and the recognition and de-recognition requirements for financial instruments, in addition to the classification and measurement requirements for financial assets.
<i>AASB 15 Revenue from Contracts with Customers</i>	1 July 2018	The standard establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
<i>AASB 16 Leases</i>	1 July 2019	The new standard requires lessees to recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

1. The National Museum of Australia's expected initial application date is when the accounting standard becomes operative at the beginning of the entity's reporting period.

All other new, revised and amending standards and 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 National Museum of Australia's financial statements.

### **Taxation**

The National Museum of Australia 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 2016.

### 1.1 Expenses

	2016	2015
	\$'000	\$'000
<b>1.1A: Employee benefits</b>		
Wages and salaries	16,021	16,534
Superannuation		
Defined contribution plans	1,585	1,293
Defined benefit plans	1,719	1,687
Leave and other entitlements	2,173	2,014
Separation and redundancies	136	48
<b>Total employee benefits</b>	<b>21,634</b>	<b>21,576</b>

#### *Significant 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	956	851
IT Services and Communications	1,464	1,422
Property Services	6,730	7,107
Professional Services	846	1,163
Travel	559	648
Exhibitions and Collection Management	1,953	1,440
Staff Support Services	1,081	610
Other	1,607	1,452
<b>Total goods and services supplied or rendered</b>	<b>15,196</b>	<b>14,693</b>

Goods supplied	4,361	4,905
Services rendered	10,835	9,788
<b>Total goods and services supplied or rendered</b>	<b>15,196</b>	<b>14,693</b>

#### **Other suppliers**

Operating lease rentals in connection with		
Minimum lease payments	2,304	2,252
Contingent rentals	(57)	49
Workers compensation expenses	736	999
<b>Total other suppliers</b>	<b>2,983</b>	<b>3,300</b>
<b>Total suppliers</b>	<b>18,179</b>	<b>17,993</b>

## Financial Performance

### 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. 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	987	1,069
Between 1 to 5 years	15	929
More than 5 years	-	-
<b>Total operating lease commitments</b>	<b>1,002</b>	<b>1,998</b>

### Significant Accounting Policy

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

The National Museum of Australia has no finance leases.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

## Financial Performance

### 1.2 Own-Source Revenue and gains

	2016	2015
	\$'000	\$'000

#### Own-Source Revenue

##### 1.2A: Sale of goods and rendering of services

Sale of goods	1,863	1,635
Rendering of services	1,239	1,271
<b>Total sale of goods and rendering of services</b>	<b>3,102</b>	<b>2,906</b>

##### *Significant Accounting Policy*

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer; and
- 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 of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

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.

##### 1.2B: Interest

Deposits	1,421	1,594
<b>Total interest</b>	<b>1,421</b>	<b>1,594</b>

##### *Accounting Policy*

Interest revenue is recognised using the effective interest method.

##### 1.2C: Other revenue

Donations	75	49
Sponsorship and grants	1,211	346
<b>Total other revenue</b>	<b>1,286</b>	<b>395</b>

##### *Significant Accounting Policy*

Cash received through sponsorship arrangements are recognised as revenue when a contractual obligation for payment exists.

Resources received free of charge through sponsorship arrangements are recognised as revenue when the resources are received and when a fair value can be reliably determined. 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 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	453	271
<b>Total other gains</b>	<b>453</b>	<b>271</b>

##### *Significant Accounting Policy*

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the assets qualify for recognition.

##### 1.2E: Revenue from Government

Appropriations		
Corporate Commonwealth entity payment	40,819	41,590
<b>Total revenue from Government</b>	<b>40,819</b>	<b>41,590</b>

##### *Significant Accounting Policy*

Funding received or receivable from Attorney -General's Department and Department of Communications and the Arts is recognised as Revenue from Government by the National Museum of Australia 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

	2016	2015
	\$'000	\$'000

#### **2.1A: Cash and cash equivalents**

Cash on hand or on deposit	1,766	2,439
<b>Total cash and cash equivalents</b>	<b>1,766</b>	<b>2,439</b>

#### **Significant Accounting Policy**

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand; and
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### **2.1B: Trade and other receivables**

##### **Goods and services receivables**

Goods and services	374	93
<b>Total goods and services receivables</b>	<b>374</b>	<b>93</b>

##### **Other receivables**

Interest	475	533
GST receivable from the Australian Taxation Office	203	474
<b>Total other receivables</b>	<b>678</b>	<b>1,007</b>
<b>Total trade and other receivables (gross)</b>	<b>1,052</b>	<b>1,100</b>

##### **Trade and other receivables (net) expected to be recovered**

No more than 12 months	1,052	1,100
More than 12 months	-	-
<b>Total trade and other receivables (net)</b>	<b>1,052</b>	<b>1,100</b>

##### **Goods and services receivables (gross) aged as follows**

Not overdue	367	87
Overdue by		
0 to 30 days	4	6
31 to 60 days	2	-
61 to 90 days	1	-
More than 90 days	-	-
<b>Total goods and services receivables (net)</b>	<b>374</b>	<b>93</b>

Credit terms for goods and services were within 30 days (2015: 30 days).



## Financial Position

### *Significant 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 initially measured and subsequently 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.

#### 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.

### *Accounting Judgements and Estimates*

#### *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 National Museum of Australia 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.

#### *Market Risk*

##### *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. National Museum of Australia is exposed to interest rate risk primarily from held to maturity investments. A 30 basis point change is deemed to be reasonably possible and is used when reporting interest rate risk. The method used to arrive at the possible risk of 30 basis points was based on both statistical and non-statistical analysis. The statistical analysis has been based on the cash rate for the past five years issued by the Reserve Bank of Australia (RBA) as the underlying dataset. This information is then revised and adjusted for reasonableness under the current economic circumstances.

The National Museum of Australia's sensitivity analysis of the interest rate risk exposure for 2016 is \$123,000 (2015: \$160, 000 based on 40 basis points)

## Financial Position

### 2.2 Non-Financial Assets

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

##### Reconciliation of the opening and closing balances of property, plant and equipment for 2016

	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 2015</b>							
Gross book value	6,306	101,952	268,183	59,605	1,591	1,582	439,219
Accumulated depreciation, amortisation and impairment	-	(1,486)	-	(5,276)	(526)	(1,265)	(8,553)
<b>Total as at 1 July 2015</b>	<b>6,306</b>	<b>100,466</b>	<b>268,183</b>	<b>54,329</b>	<b>1,065</b>	<b>317</b>	<b>430,666</b>
<b>Additions</b>							
Purchase	-	-	1,977	4,434	137	-	6,548
Internally developed	-	-	-	-	-	1,522	1,522
Donation/Gift	-	-	453	-	-	-	453
Revaluations and impairments recognised in other comprehensive income	-	2,413	978	-	-	-	3,391
Depreciation and amortisation	-	(1,476)	(1,103)	(5,309)	(286)	(272)	(8,446)
Disposals	-	-	-	-	-	-	-
Gross book value	-	-	-	97	-	-	97
Accumulated depreciation, amortisation and impairment	-	-	-	(41)	-	-	(41)
<b>Total as at 30 June 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>
<b>Total as at 30 June 2016 represented by</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 30 June 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>

1. Land, buildings and other property, plant and equipment that met the definition of a heritage and cultural item were 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 2016, a management valuation was conducted for land, buildings and plant and equipment. An independent valuer conducted the revaluations 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 \$1,382,738. Commitments are primarily for the upgrade of public spaces, replacement of equipment and development of multimedia interactives.

## Financial Position

### Reconciliation of the opening and closing balances of property, plant and equipment for 2015

	Land \$'000	Buildings \$'000	Heritage and cultural <sup>1</sup> \$'000	Plant and equipment \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000
As at 1 July 2014							
Gross book value	6,306	101,733	259,158	55,702	10,989	1,582	435,470
Accumulated depreciation, amortisation and impairment	-	-	-	-	(10,039)	(1,051)	(11,090)
Total as at 1 July 2014	6,306	101,733	259,158	55,702	950	531	424,380
Additions							
Purchase	-	226	979	5,183	345	-	6,733
Donation/Gift	-	-	271	-	-	-	271
Revaluations and impairments recognised in other comprehensive income	-	(7)	8,850	(1,238)	-	-	7,605
Depreciation and amortisation	-	(1,486)	(1,075)	(5,315)	(230)	(214)	(8,320)
Other movements							
Gross book value	-	-	-	-	(486)	-	(486)
Accumulated depreciation, amortisation and impairment	-	-	-	-	486	-	486
Disposals							
Gross book value	-	-	-	(3)	(9,257)	-	(9,260)
Accumulated depreciation, amortisation and impairment	-	-	-	-	9,257	-	9,257
Total as at 30 June 2015	6,306	100,466	268,183	54,329	1,065	317	430,666
Total as at 30 June 2015 represented by							
Gross book value	6,306	101,952	268,183	59,605	1,591	1,582	439,219
Accumulated depreciation, amortisation and impairment	-	(1,486)	-	(5,276)	(526)	(1,265)	(8,553)
Total as at 30 June 2015	6,306	100,466	268,183	54,329	1,065	317	430,666

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

### 2.2B Fair Value Measurement

The following table provides an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

#### Inputs and Valuation Techniques

The Museum procures valuation services from independent valuers. The Museum tests the valuation at least once every 12 months. The valuers provide written assurance to the Museum that the valuation is in compliance with AASB 13.

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

#### Fair Value Measurement

	Fair value measurements at the end of the reporting period		Valuation Technique(s) <sup>1</sup> and Inputs Used
	2016 \$'000	2015 \$'000 Category (Level 1, 2 or 3)	
<b>Non-financial assets</b>			
Land	6,306	6,306	Market/Direct comparison approach using sales evidence and unit of value by comparative basis (\$ per m <sup>2</sup> )
Buildings on freehold land	101,403	100,466	20% gross valuation as an estimate of risk Actual construction costs and AIQS building code indices
Leasehold improvements	2,463	2,802	Depreciated replacement cost based on estimated useful life
Heritage and cultural	270,488	268,183	Depreciated replacement cost based on estimated useful life Market approach using local and international secondary markets for art and collectables and providence for objects
Other property plant and equipment	53,398	54,329	Depreciated replacement cost using acquisition costs, ABS indices and estimated useful life

1. No change in valuation techniques occurred during the period.

The highest and best use of all non-financial assets is the same as their current use.

## Financial Position

### *Significant Accounting Policy*

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.

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

Asset purchases costing less than \$2,000 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 depended 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, 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	<b>100 years</b>
Leasehold improvements	<b>Lease Term</b>
Plant and equipment	<b>4-100 years</b>
Heritage and cultural	<b>50-5,000 years</b>

### Impairment

All assets were assessed for impairment at 30 June 2016. 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.

## Financial Position

The National Museum of Australia 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 National Museum of Australia is preservation of the collection. Details in relation to the National Museum of Australia's curatorial and preservation policies are posted on the National Museum of Australia'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).

### 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 entity's software are four to eight years (2015: four to eight years).

### **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 land, buildings, leasehold improvements and other property, plant and equipment has been taken to be the depreciated replacement costs as assessed by independent valuers every three years.

On 30 June 2016, a management valuation was conducted for land, buildings, leasehold improvements and other property, plant and equipment.

The fair value of heritage and cultural assets is based on market observations. The National Museum of Australia's collections are diverse with many objects being iconic with limited markets for comparison. The National Museum of Australia 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. In 2015-16 heritage and cultural assets were valued by an independent valuer.

## Financial Position

### 2.3 Payables

#### 2.3A: Suppliers

Trade creditors and accruals	1,486	1,988
Operating lease rentals	23	80
<b>Total suppliers</b>	<b>1,509</b>	<b>2,068</b>

#### Suppliers expected to be settled

No more than 12 months	1,509	2,068
More than 12 months	-	-
<b>Total suppliers</b>	<b>1,509</b>	<b>2,068</b>

Settlement is usually made within 30 days.

#### Significant Accounting Policy

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. 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 National Museum of Australia's financial liabilities are trade creditors. The exposure to liquidity risk is based on the probability that the National Museum of Australia 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.

The maturities for non-derivative financial liabilities in 2016 is \$1,508,624 (2015:\$2,067,872)

#### 2.3B: Other payables

Salaries and wages	164	686
Superannuation	13	104
Prepayments received/unearned income	228	129
<b>Total other payables</b>	<b>405</b>	<b>919</b>

#### Other payables to be settled

No more than 12 months	405	919
More than 12 months	-	-
<b>Total other payables</b>	<b>405</b>	<b>919</b>

## Funding

This section identifies the National Museum of Australia's funding structure.

### 3.1 Cash Flow Reconciliation

<b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>		
Net(cost of)/contribution by services	<b>(42,108)</b>	(43,032)
Revenue from Government	<b>40,819</b>	41,590
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	<b>8,446</b>	8,320
Net write down of non-financial assets	<b>16</b>	94
Loss (Gain) on disposal of assets	<b>51</b>	(6)
Donated assets	<b>(453)</b>	(271)
<b>Movement in assets and liabilities</b>		
<b>Assets</b>		
Decrease/(Increase) in net receivables	<b>48</b>	(120)
Decrease in inventories	<b>(55)</b>	(4)
Decrease/(Increase) in prepayments	<b>179</b>	(182)
<b>Liabilities</b>		
Increase/(Decrease) in employee provisions	<b>578</b>	379
Increase/(Decrease) in suppliers payables	<b>(554)</b>	10
Increase/(Decrease) in other payables	<b>(514)</b>	101
<b>Net cash from/(used by) operating activities</b>	<b>6,453</b>	6,879



## 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

	2016 \$'000	2015 \$'000
<b>4.1A: Employee provisions</b>		
Annual Leave	1,955	2,007
Long Service Leave	4,374	3,744
<b>Total employee provisions</b>	<b>6,329</b>	<b>5,751</b>
<b>Employee provisions expected to be settled</b>		
No more than 12 months	1,882	1,885
More than 12 months	4,447	3,866
<b>Total employee provisions</b>	<b>6,329</b>	<b>5,751</b>

#### *Significant 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 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 entity'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 (LSL) for employees has been determined by reference to the short hand method as set out in the Resource Management Guide No. 125 Commonwealth Entities Financial Statements Guide.

#### *Superannuation*

The National Museum of Australia'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 National Museum of Australia makes employer contributions to the employees' defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The National Museum of Australia 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.

## People and Relationships

### 4.2 Senior Management Personnel and Council Members Remuneration

	2016 \$'000	2015 \$'000
<b>Short-term employee benefits</b>		
Salary	991	1,075
Performance bonuses	45	44
Motor vehicle and other allowances	-	21
<b>Total short-term employee benefits</b>	<b>1,036</b>	<b>1,140</b>
<b>Post-employment benefits</b>		
Superannuation	123	165
<b>Total post-employment benefits</b>	<b>123</b>	<b>165</b>
<b>Other long-term employee benefits</b>		
Annual leave	83	67
Long-service leave	47	22
<b>Total other long-term employee benefits</b>	<b>130</b>	<b>89</b>
<b>Total senior executive remuneration expenses</b>	<b>1,289</b>	<b>1,394</b>

The total number of senior management personnel that are included in the above table are four (2015: five) and part time Council Members ten (2015: ten).

### 4.3 Related Party Transactions

A Council member is a director of another entity that transacted with the National Museum of Australia. These transactions amounted to \$31,400 (2015: \$14,300) occurred on terms and conditions no more favourable than those which it is reasonable to expect the National Museum of Australia would have adopted, if dealing with any third party on normal commercial terms. Council approved the contract. The director took no part in the relevant decisions of Council.

There were no other related party transactions during the year.

### 4.4 Auditors Remuneration

Financial statement audit services were provided to the National Museum of Australia by the Australian National Audit Office (ANAO).

Fees paid and payable to the ANAO for the audit of the financial statements	57	56
	<b>57</b>	<b>56</b>

No other services were provided by the ANAO.

## Other information

### 6.1 Assets Held in the National Museum of Australia Fund

The National Museum of Australia Fund is set up under section 34 of the *National Museum of Australia Act 1980*, for the receipt of gifts and bequests (otherwise than on trust) of monies, or monies received from the disposal of property given, devised, bequeathed or assigned to the Museum. These monies are recognised as revenue and expenses in the Statement of Comprehensive Income.

	2016 \$'000	2015 \$'000
<b>As at 1 July</b>	<b>255</b>	<b>208</b>
Receipts	75	52
Payments	-	(5)
<b>Total as at 30 June</b>	<b>330</b>	<b>255</b>