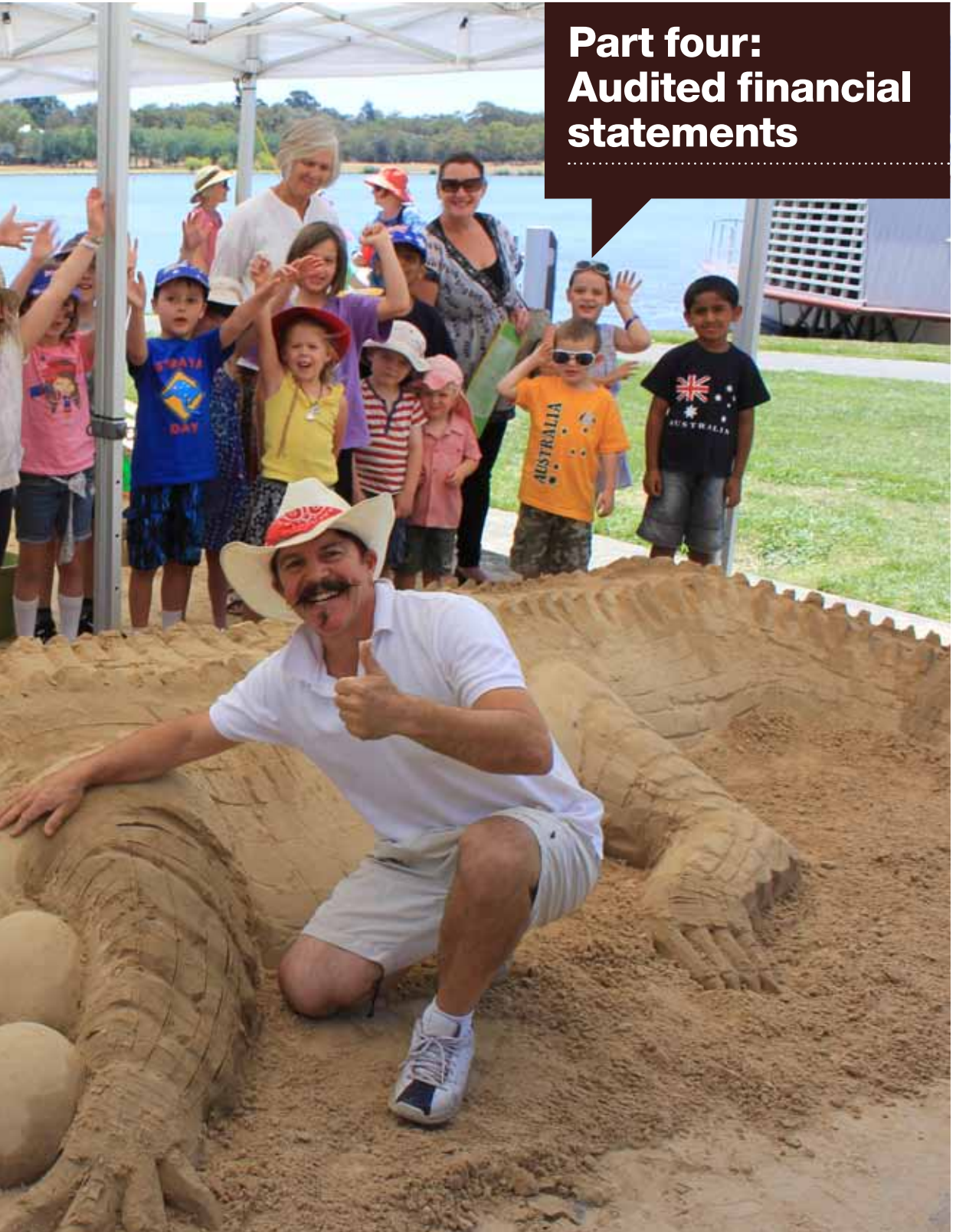




Sand sculptor Tutti Bonacci poses with his creation in front of an enthusiastic group of supporters, 26 January 2014

**Part four:
Audited financial
statements**





INDEPENDENT AUDITOR'S REPORT

To the Attorney General

I have audited the accompanying financial statements of the National Museum of Australia for the year ended 30 June 2014, which comprise: a Statement by the Council Members, Chief Executive and Acting Chief Finance Officer; the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Council Members Responsibility for the Financial Statements

The Council Members of the National Museum of Australia are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and 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 National Museum of Australia's preparation of the financial statements that give a true and fair view 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 National Museum of Australia's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Council Members, 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

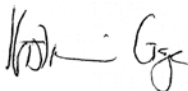
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the National Museum of Australia's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Mr Kristian Gage
Acting Executive Director
Delegate of the Auditor-General
Canberra
21 August 2014

National Museum of Australia

STATEMENT BY THE COUNCIL MEMBERS, DIRECTOR AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the Commonwealth Authorities and Companies Act 1997, as amended.

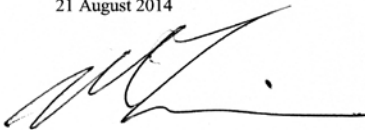
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

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



Daniel Gilbert AM
Chairperson

21 August 2014



Dr Mathew Trinca
Director

21 August 2014



Ian Campbell
Acting Chief Finance Officer

21 August 2014

Statement of Comprehensive Income for National Museum of Australia
for the period ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	<u>3A</u>	22,478	21,561
Supplier	<u>3B</u>	17,732	17,473
Depreciation and amortisation	<u>3C</u>	7,810	8,401
Write-down and impairment of assets	<u>3D</u>	18	6
Other expenses	<u>3E</u>	38	72
Loss (gain) on sale of assets	<u>3F</u>	9	30
Total expenses		<u>48,085</u>	<u>47,543</u>
LESS:			
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	<u>4A</u>	2,592	2,591
Interest	<u>4B</u>	1,600	1,982
Other revenue	<u>4C</u>	739	161
Total own-source revenue		<u>4,931</u>	<u>4,734</u>
Gains			
Donated Assets	<u>4D</u>	246	197
Total gains		<u>246</u>	<u>197</u>
Total own-source income		<u>5,177</u>	<u>4,931</u>
Net cost of services		<u>42,908</u>	<u>42,612</u>
Revenue from Government	<u>4E</u>	41,644	40,889
Surplus (Deficit) attributable to the Australian Government		<u>(1,264)</u>	<u>(1,723)</u>
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		15,484	10,263
Total other comprehensive income before income tax		<u>15,484</u>	<u>10,263</u>
Total comprehensive income		<u>14,220</u>	<u>8,540</u>

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

Statement of Financial Position for National Museum of Australia
as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	<u>6A</u>	1,322	3,775
Trade and other receivables	<u>6B</u>	980	854
Held-to-maturity investments	<u>6C</u>	39,000	34,500
Total financial assets		<u>41,302</u>	<u>39,129</u>
Non-Financial Assets			
Land and buildings	<u>7A</u>	108,039	106,603
Property, plant and equipment	<u>7B.C</u>	314,860	304,153
Intangibles	<u>7D.E</u>	1,481	1,556
Inventories	<u>7F</u>	559	560
Other non-financial assets	<u>7G</u>	439	493
Total non-financial assets		<u>425,378</u>	<u>413,365</u>
Total assets		<u>466,680</u>	<u>452,494</u>
LIABILITIES			
Payables			
Suppliers	<u>8A</u>	2,059	3,701
Other payables	<u>8B</u>	818	922
Total payables		<u>2,877</u>	<u>4,623</u>
Provisions			
Employee provisions	<u>9A</u>	5,372	5,631
Total provisions		<u>5,372</u>	<u>5,631</u>
Total liabilities		<u>8,249</u>	<u>10,254</u>
Net assets		<u>458,431</u>	<u>442,240</u>
EQUITY			
Contributed equity		23,444	21,472
Reserves		172,665	157,182
Retained surplus (accumulated deficit)		262,322	263,586
Total equity		<u>458,431</u>	<u>442,240</u>

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

Statement of Changes in Equity for National Museum of Australia
for the period ended 30 June 2014

	Retained earnings		Asset revaluation		Contributed		Total equity	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	263,586	265,309	157,181	146,919	21,472	19,507	442,239	431,735
Adjusted opening balance	263,586	265,309	157,181	146,919	21,472	19,507	442,239	431,735
Comprehensive income								
Other comprehensive income	-	-	15,484	10,263	-	-	15,484	10,263
Surplus (Deficit) for the period	(1,264)	(1,723)	-	-	-	-	(1,264)	(1,723)
Total comprehensive income	(1,264)	(1,723)	15,484	10,263	-	-	14,220	8,540
Transactions with owners								
Contributions by owners	-	-	-	-	1,972	1,965	1,972	1,965
Equity injection	-	-	-	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	1,972	1,965	1,972	1,965
Closing balance attributable to the Australian Government	262,322	263,586	172,665	157,182	23,444	21,472	458,431	442,240

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

Cash Flow Statement for National Museum of Australia
for the period ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government		41,644	40,889
Sales of goods and rendering of services		2,770	2,611
Interest		1,344	2,411
Net GST received		1,683	2,765
Other		703	62
Total cash received		<u>48,144</u>	<u>48,738</u>
Cash used			
Employees		(22,747)	(21,677)
Suppliers		(21,125)	(21,333)
Other		(38)	(72)
Total cash used		<u>(43,910)</u>	<u>(43,082)</u>
Net cash from (used by) operating activities	<u>10</u>	<u>4,234</u>	<u>5,656</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		10	30
Investments redeemed		58,500	90,000
Total cash received		<u>58,510</u>	<u>90,030</u>
Cash used			
Purchase of property, plant and equipment		(3,841)	(11,554)
Purchase of intangibles		(329)	(57)
Investments deposited		(63,000)	(84,500)
Total cash used		<u>(67,169)</u>	<u>(96,111)</u>
Net cash from (used by) investing activities		<u>(8,660)</u>	<u>(6,081)</u>
FINANCING ACTIVITIES			
Cash received			
Contributed equity		1,972	1,965
Total cash received		<u>1,972</u>	<u>1,965</u>
Net cash from financing activities		<u>1,972</u>	<u>1,965</u>
Net increase (decrease) in cash held		<u>(2,453)</u>	<u>1,540</u>
Cash and cash equivalents at the beginning of the reporting period		3,775	2,235
Cash and cash equivalents at the end of the reporting period	<u>6A</u>	<u>1,322</u>	<u>3,775</u>

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

Schedule of Commitments*as at 30 June 2014*

	2014	2013
	\$'000	\$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	(757)	(627)
Other Receivables	<u>(330)</u>	<u>(180)</u>
Total commitments receivable	<u>(1,087)</u>	<u>(807)</u>
Commitments payable		
Capital commitments		
Property, plant and equipment ¹	1,799	-
Intangibles	<u>54</u>	<u>-</u>
Total capital commitments	<u>1,853</u>	<u>-</u>
Other commitments		
Operating leases ²	2,842	3,251
Other ³	<u>5,436</u>	<u>3,645</u>
Total other commitments	<u>8,278</u>	<u>6,896</u>
Total commitments payable	<u>10,131</u>	<u>6,896</u>
Net commitments by type	<u>9,044</u>	<u>6,089</u>
BY MATURITY		
Commitments receivable		
One year or less	(495)	(807)
From one to five years	<u>(592)</u>	<u>-</u>
Over five years	<u>-</u>	<u>-</u>
Total commitments receivable	<u>(1,087)</u>	<u>(807)</u>
Commitments payable		
Capital commitments		
One year or less	1,795	-
From one to five years	<u>58</u>	<u>-</u>
Over five years	<u>-</u>	<u>-</u>
Total capital commitments	<u>1,853</u>	<u>-</u>
Operating lease commitments		
One year or less	1,209	1,976
From one to five years	<u>1,633</u>	<u>1,275</u>
Over five years	<u>-</u>	<u>-</u>
Total operating lease commitments	<u>2,842</u>	<u>3,251</u>
Other Commitments		
One year or less	3,515	2,664
From one to five years	<u>1,921</u>	<u>981</u>
Over five years	<u>-</u>	<u>-</u>
Total other commitments	<u>5,436</u>	<u>3,645</u>
Total commitments payable	<u>10,131</u>	<u>6,896</u>
Net commitments by maturity	<u>9,044</u>	<u>6,089</u>

Note: Commitments are GST inclusive where relevant.

¹ The nature of capital commitments payable are asset replacements.

² Operating leases included are effectively non-cancellable and comprise:

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation and warehouses (multiple sites)	Lease payments may be subject to annual increase in accordance with Lease terms and conditions. Increases are based on either movements in the Consumer Price Index or Market reviews. The office accommodation and warehouse leases may be renewed for periods up to five years at the Museum's option.
Motor vehicle leases	No contingent rentals exist. There are no purchase options available to the Museum.

³ The nature of other commitments payable is the provision of ongoing services.

This schedule should be read in conjunction with the accompanying notes.

National Museum of Australia
Notes to and forming part of the financial statements

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- Note 3: Expenses
- Note 4: Income
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- Note 6: Financial Assets
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- Note 8: Payables
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- Note 10: Cash Flow Reconciliation
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- Note 14: Remuneration of Auditors
- Note 15: Financial Instruments
- Note 16: Financial Assets Reconciliation
- Note 17: Compensation and Debt Relief
- Note 18: Assets Held in the National Museum of Australia Fund
- Note 19: Reporting of Outcomes
- Note 20: Net Cash Appropriation Arrangements

National Museum of Australia Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 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: Increased 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.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997*.

The financial statements have been prepared in accordance with:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b) 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 and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the National Museum of Australia or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the National Museum of Australia has made the following judgements that have the most significant impact on the amounts recorded in the financial statements.

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

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

The fair value of heritage and cultural assets are 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

National Museum of Australia

Notes to and forming part of the Financial Statements

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 value of the collections. A management revaluation occurs when there is evidence of a significant variation to prices.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.4 New Australian 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.

AASB 13 *Fair Value Measurement*, issued prior to the signing of the statement by the Council, Director and Chief Finance Officer, is applicable to the current reporting period and did not have a material financial impact but did affect disclosure. The standard ensures consistency of fair value measurement and disclosure within financial statements. Key features of AASB 13 include the requirement to value non-financial assets at their highest and best use, identification of a principle or most advantageous market and disclosure of all fair value measurements based on the fair value hierarchy.

Future Australian Accounting Standard Requirements

The following new, revised or amended standards and interpretations were issued prior to the signing of the statement by the Council, Director and Chief Finance Officer, which are not expected to have a financial impact on the National Museum of Australia for future reporting periods but will affect disclosure:

- AASB 9 *Financial Instruments* - 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. The changes will apply to reporting periods beginning on or after 1 January 2015.
- AASB 1055 *Budgetary Reporting*- This new Standard requires reporting of budgetary information and explanation of significant variance between actual and budgeted amounts by not-for-profit entities within the General Government Sector. The new Standard applies to reporting periods beginning on or after 1 July 2014.

Other new, revised or amended standards and interpretations that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the National Museum of Australia.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the National Museum of Australia retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to the National Museum of Australia.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the National Museum of Australia.

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 account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in note 1.13

National Museum of Australia

Notes to and forming part of the Financial Statements

Revenue from Government

Funding received or receivable from the Department of Regional Australia, Local Government, Arts and Sport and the Attorney-General's Department (appropriated to them as a CAC Act body payment item for payment to the National Museum of Australia) is recognised as Revenue from Government on receipt by the National Museum of Australia unless the funding is in the nature of an equity injection or a loan.

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

1.6 Gains

Donated Assets

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.

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.7 Transactions with the Government as Owner

Equity Injections

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

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (amounts expected to be settled wholly within 12 months) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Long-term employee benefits are measured as the present value of the defined benefit obligation at the end of the reporting.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leaves is non-vesting and the average sick leave taken in future years by employees of the National Museum of Australia is estimated to be less than the annual entitlement for sick 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 National Museum of Australia'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 work of an actuary as at 30 June 2013. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The National Museum of Australia's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

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' superannuation scheme 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.

National Museum of Australia
Notes to and forming part of the Financial Statements

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The National Museum of Australia recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

1.9 Leases

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. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

The National Museum of Australia has no finance leases.

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

1.11 Fair Value Measurement

The National Museum of Australia did not have transfers between levels of fair value hierarchy.

1.12 Cash

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.

1.13 Financial Assets

The National Museum of Australia classifies its financial assets in the following categories:

- a) held-to-maturity investments; and
- b) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments 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. Interest is recognised by applying the effective interest rate.

National Museum of Australia

Notes to and forming part of the Financial Statements

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.

1.14 Financial Liabilities

Financial liabilities are recognised and derecognised upon 'trade date'.

Financial liabilities, include suppliers and other payables and are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

The National Museum of Australia had no quantifiable, unquantifiable or significant remote contingencies in 2013-14 or 2012-13.

1.16 Acquisition of Assets

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.

1.17 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, 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).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property lease agreements taken up by the National Museum of Australia where there exists an obligation to make good on the leased premises at the end of the lease term. These costs are included in the value of the National Museum of Australia's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did 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 were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of

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the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed 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.

Fair values for each class of asset are determined as shown below:

<i>Asset class</i>	<i>Fair value measurement</i>
Land	Market selling price
Buildings excluding leasehold improvements	Cost approach
Leasehold improvements	Cost approach
Infrastructure, plant and equipment	Cost approach
Heritage and cultural assets	Market approach

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the National Museum of Australia 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:

	2014	2013
Buildings on freehold land	100 years	100 years
Leasehold improvements	Lease term	Lease term
Plant and equipment	4 to 100 years	4 to 100 years
Heritage and cultural	50 to 5,000 years	50 to 5,000 years

The National Museum of Australia has items of property, plant and equipment that are heritage and cultural assets that have limited useful lives and are depreciated.

Impairment

All assets were assessed for impairment at 30 June 2014. 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 to sell 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 National Museum of Australia 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 National Museum of Australia collects, manages and displays cultural and heritage assets of Australian history. The collection is held in trust for the nation. The Museum collection represents three inter-related fields:

- Aboriginal and Torres Strait Islander cultures and histories;
- Australian history and society since 1768; and
- People's interaction with the Australian environment.

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A key objective of the National Museum of Australia is the 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 web site at www.nma.gov.au/about_us/ips/policies/collection_care_and_preservation_policy.

1.18 Intangibles

The National Museum of Australia's intangibles comprise internally developed software for internal use and externally purchased software. 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 National Museum of Australia's software are 4 to 8 years (2012-13: 4 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2014.

1.19 Inventories

Inventories held for sale are valued at the lower of cost and net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as finished goods or work-in-progress. Costs include direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

1.20 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).

Revenues, expenses, assets and liabilities are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b) for receivables and payables.

Note 2: Events After the Reporting Period

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

National Museum of Australia
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Note 3: Expenses

	2014	2013
	\$'000	\$'000
Note 3A: Employee Benefits		
Wages and salaries	16,968	16,799
Superannuation:		
Defined contribution plans	1,295	1,060
Defined benefit plans	1,770	1,771
Leave and other entitlements	1,917	1,618
Separation and redundancies	528	313
Total employee benefits	22,478	21,561

Note 3B: Supplier

Goods and services

Cost of goods sold	962	846
Travel	705	469
IT Services	1,650	2,160
Property Services	6,732	6,671
Staff Support Costs	789	1,327
Professional Services	948	814
Exhibitions	1,579	1,135
Collection management	191	221
Advertising and promotions	451	403
Other	697	557
Total goods and services	14,704	14,603

Goods and services are made up of:

Provision of goods – related entities	-	-
Provision of goods – external parties	2,806	2,722
Rendering of services – related entities	1,725	1,853
Rendering of services – external parties	10,173	10,028
Total goods and services	14,704	14,603

Other supplier expenses

Operating lease rentals – related entities:		
Minimum lease payments	494	410
Contingent rentals	-	-
Operating lease rentals – external parties:		
Minimum lease payments	1,844	1,835
Contingent rentals	(31)	(1)
Workers compensation expenses	721	626
Total other supplier expenses	3,028	2,870
Total supplier expenses	17,732	17,473

Note 3C: Depreciation and Amortisation

Depreciation:

Property, plant and equipment	5,978	6,553
Buildings	1,429	1,317
Total depreciation	7,407	7,870

Amortisation:

Intangibles	403	531
Total amortisation	403	531
Total depreciation and amortisation	7,810	8,401

National Museum of Australia
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	2014	2013
	\$'000	\$'000
Note 3D: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Financial assets write off	17	-
Impairment of property, plant and equipment	-	-
Inventory write off	1	6
Total write-down and impairment of assets	18	6

Note 3E: Other Expenses

The Museum provides subsidies to support research in Australian history and cultures

Subsidies	38	72
Total other expenses	38	72

Note 3F: Loss from Sale of Assets

Property, plant and equipment:

Proceeds from sale	(10)	(30)
Carrying value of assets sold	19	60
Net loss (gain) from sale of assets	9	30

Note 3G: Total Operating Expenditure for Heritage and Cultural

Assets¹

Operating expenditure	5,934	5,677
Total	5,934	5,677

1. Operating expenditure is contained in the Statement of Comprehensive Income; however, it is not disclosed as a separate line item. It is merely a different representation of expenditure already reported in Notes 3A to 3E relating to heritage and cultural assets.

Note 4: Income

OWN-SOURCE REVENUE

Note 4A: Sale of Goods and Rendering of Services

Provision of goods - related entities	-	-
Provision of goods - external parties	1,803	1,663
Rendering of services - related entities	-	-
Rendering of services - external parties	789	928
Total sale of goods and rendering of services	2,592	2,591

Note 4B: Interest

Deposits	1,600	1,982
Total interest	1,600	1,982

Note 4C: Other Revenue

Donations and bequests	168	39
Sponsorship and grants	571	122
Total other revenue	739	161

GAINS

Note 4D: Donated Assets

Donated Assets	246	197
Total donated assets	246	197

National Museum of Australia
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	2014	2013
	\$'000	\$'000
Note 4E: Revenue from Government		
Department of Regional Australia, Local Government, Arts and Sport		
CAC Act body payment item	13,791	40,889
Attorney General's Department		
CAC Act body payment item	27,853	-
Total revenue from Government	41,644	40,889

Note 5: Fair Value Measurements

The following tables provide an analysis of assets that are measured at fair value. 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.

Note 5A: Fair Value Measurements

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014

	Fair value measurements at the end of the reporting period using			
	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$'000	\$'000	\$'000	\$'000
Non-financial assets				
Land	6,306	-	-	6,306
Buildings on freehold land	98,591	-	-	98,591
Leasehold improvements	3,142	-	-	3,142
Other property plant and equipment	55,702	-	-	55,702
Heritage and cultural	259,158	-	-	259,158
Total non-financial assets	422,899	-	-	422,899
Total fair value measurements of assets in the statement of financial position	422,899	-	-	422,899

Fair value measurements - highest and best use differs from current use for non-financial assets (NFAs)

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

There were no recurring fair value measurements transferred between level 1 and 2 for non-financial assets

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Note 5B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

Level 2 and 3 fair value measurements – valuation technique and the inputs used for assets and liabilities in 2014

	Category (Level 2 or Level 3)	Fair value Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
		\$'000		
Non-financial assets				
Land	Level 2	6,306	Market / Direct Comparison Approach	Sales evidence, unit of value by comparative basis (\$ per m2)
	Level 3			20% of gross valuation as an estimate of risk.
Buildings on freehold land	Level 2			Actual construction costs, AIQS building cost indices.
	Level 3	98,591	Depreciated replacement cost	Estimated useful life
Leasehold improvements	Level 2			Actual construction costs, ABS indices, AQUIS building cost indices
	Level 3	3,142	Depreciated replacement cost	Estimated useful lives.
Other property plant and equipment	Level 3			Acquisitions costs, ABS indices
	Level 3	55,702	Depreciated replacement cost	Estimated useful lives.
Heritage and cultural	Level 3	259,158	Market approach	Local and worldwide secondary markets for art and collectables, Providence for objects

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

2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

Recurring and non-recurring Level 3 fair value measurements - valuation processes

The Museum procured valuation services from independent valuers and relied on valuation models provided by the valuers. The Museum tests the procedures of the valuation model at least once every 12 months. The valuers provided written assurance to the Museum that the model developed is in compliance with AASB 13.

National Museum of Australia Notes to and forming part of the financial statements

Recurring Level 3 fair value measurements – sensitivity of inputs

The significant unobservable inputs used in the fair value measurement of the Museum's non-financial assets are relevant industry indices. Generally, a change in the assumption used for industry indices is accompanied by a directionally similar change in the assumption used for industry indices.

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. Generally, a change in the assumption used for professional appraisals of similar artwork is accompanied by a directionally similar change in the assumption used for private sales of similar artwork.

Note 5C: Reconciliation for Recurring Level 3 Fair Value Measurements

Recurring Level 3 fair value measurements – reconciliation for assets

	Non-financial assets				Total
	Buildings on freehold land	Leasehold improvements	Other property plant and equipment	Heritage and cultural	
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
Opening balance	97,670	2,627	54,119	250,034	404,450
Total gains/(losses) recognised in net cost of services ¹	(1,048)	(381)	(4,940)	(1,038)	(7,407)
Total gains/(losses) recognised in other comprehensive income ²	4,711	384	1,850	8,539	15,484
Purchases	26	143	2,376	1,623	4,168
Sales	-	-	(19)	-	(19)
Other movements	(2,768)	369	2,316	-	(83)
Closing balance	98,591	3,142	55,702	259,158	259,158

1. These gains/(losses) are presented in the Statement of Comprehensive Income under depreciation and amortisation expenses.

2. These gains/(losses) are presented in the Statement of Comprehensive Income under changes in asset revaluation surplus.

No transfers between levels are deemed to have occurred during 2014-15.

National Museum of Australia
Notes to and forming part of the financial statements

Note 6: Financial Assets

	2014	2013
	\$'000	\$'000
Note 6A: Cash and Cash Equivalents		
Cash on hand or on deposit	1,322	3,775
Total cash and cash equivalents	<u>1,322</u>	<u>3,775</u>
Note 6B: Trade and Other Receivables		
Goods and Services:		
Goods and services - related entities	12	330
Goods and services - external parties	116	90
Total receivables for goods and services	<u>128</u>	<u>420</u>
Other receivables:		
GST receivable from the Australian Taxation Office	336	174
Interest	516	260
Total other receivables	<u>852</u>	<u>434</u>
Total trade and other receivables (gross)	<u>980</u>	<u>854</u>
Receivables are expected to be recovered in:		
No more than 12 months	980	854
Total trade and other receivables (net)	<u>980</u>	<u>854</u>
Receivables are aged as follows:		
Not overdue	974	796
Overdue by:		
0 to 30 days	6	20
31 to 60 days	-	22
61 to 90 days	-	16
More than 90 days	-	-
Total receivables (gross)	<u>980</u>	<u>854</u>
Note 6C: Held-to-Maturity Investments		
Deposits	39,000	34,500
Total other investments	<u>39,000</u>	<u>34,500</u>
Total held-to-maturity investments are expected to be recovered in:		
No more than 12 months	39,000	34,500
Total other investments	<u>39,000</u>	<u>34,500</u>

Investments are with the National Museum of Australia's bankers and earn effective interest rates of 3.50%, 3.55%, 3.60%, 3.61%, 3.65% and 3.86% (2013: 3.85%, 3.93%, 4.03%, 4.07%, 4.10%, 4.11%, 4.35% and 4.39%), payable at the end of the term.

National Museum of Australia
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Note 7: Non-Financial Assets

	2014	2013
	\$'000	\$'000
Note 7A: Land and Buildings		
Land:		
Land at fair value	6,306	6,306
Total land	6,306	6,306
Buildings on freehold land:		
Work in progress	-	6,145
Accumulated depreciation	-	(1,038)
Fair value	98,591	92,563
Total buildings on freehold land	98,591	97,670
Leasehold improvements:		
Fair value	3,142	1,641
Accumulated depreciation	-	(280)
Work in progress	-	1,266
Total leasehold improvements	3,142	2,627
Total land and buildings	108,039	106,603

No indicators of impairment were found for land and buildings.

No land or buildings were expected to be sold or disposed of within the next 12 months.

Note 7B: Property, Plant and Equipment

Heritage and cultural:		
Fair value	259,158	250,034
Accumulated depreciation	-	-
Total heritage and cultural	259,158	250,034
Other property, plant and equipment:		
Fair value	54,317	54,267
Accumulated depreciation	-	(5,498)
Work in progress	1,385	5,350
Total other property, plant and equipment	55,702	54,119
Total property, plant and equipment	314,860	304,153

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

Revaluations were conducted in accordance with the revaluation policy stated at Note 1. On 30 June 2014, an independent valuers conducted the revaluation of land, buildings, leasehold improvements and other property, plant and equipment. A management valuation was conducted for heritage and cultural assets.

Revaluation increments of nil for land (2013: nil), \$4,711,007 for buildings on freehold land (2013: nil), \$383,897 for leasehold improvements (2013: nil), \$1,850,289 for plant and equipment (2013: nil) and \$8,538,928 for heritage and cultural (2013: increment of \$10,263,821) were credited to asset revaluation surplus by asset class and included in the equity section of the statement of financial position; no decrements were expensed (2013: nil).

National Museum of Australia
Notes to and forming part of the financial statements

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2014

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Heritage and cultural ¹ \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2013						
Gross book value	6,306	101,614	107,920	250,034	59,617	417,571
Accumulated depreciation and impairment	-	(1,317)	(1,317)	-	(5,498)	(6,815)
Net book value 1 July 2013	6,306	100,297	106,603	250,034	54,119	410,756
Additions:						
By purchase	-	169	169	1,377	2,376	3,922
By donation/gift	-	-	-	246	-	246
Revaluations and impairments recognised in other comprehensive income	-	5,095	5,095	8,539	1,850	15,484
Depreciation expense	-	(1,429)	(1,429)	(1,038)	(4,940)	(7,407)
Disposals:						
Gross book value	-	-	-	-	(19)	(19)
Accumulated depreciation and impairment	-	-	-	-	-	-
Other Movements from prior year - WIP recognition	-	(2,399)	(2,399)	-	2,316	(83)
Net book value 30 June 2014	6,306	101,733	108,039	259,158	55,702	422,899
Net book value as of 30 June 2014 represented by:						
Gross book value	6,306	101,733	108,039	259,158	55,702	422,899
Accumulated depreciation and impairment	-	-	-	-	-	-
Net book value 30 June 2014	6,306	101,733	108,039	259,158	55,702	422,899

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.

National Museum of Australia
Notes to and forming part of the financial statements

Note 7C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2013

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Heritage and cultural ¹ \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2012						
Gross book value	6,306	92,738	99,044	238,803	56,752	394,599
Accumulated depreciation and impairment	-	-	-	-	-	-
Net book value 1 July 2012	6,306	92,738	99,044	238,803	56,752	394,599
Additions:						
By purchase or internally developed	-	8,876	8,876	1,802	2,579	13,257
By donation/gift	-	-	-	197	-	197
Revaluations and impairments recognised in other comprehensive in	-	-	-	10,263	-	10,263
Depreciation expense	-	(1,317)	(1,317)	(1,031)	(5,522)	(7,870)
Disposals:						
Gross book value	-	-	-	-	(83)	(83)
Accumulated depreciation and impairment	-	-	-	-	24	24
Other movements from prior year - WIP recognition	-	-	-	-	369	369
Net book value 30 June 2013	6,306	100,297	106,603	250,034	54,119	410,756
Net book value as of 30 June 2013 represented by:						
Gross book value	6,306	101,614	107,920	250,034	59,617	417,571
Accumulated depreciation and impairment	-	(1,317)	(1,317)	-	(5,498)	(6,815)
Net book value 30 June 2013	6,306	100,297	106,603	250,034	54,119	410,756

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.

National Museum of Australia
Notes to and forming part of the financial statements

	2014 \$'000	2013 \$'000
Note 7D: Intangibles		
Computer software:		
Purchased – in use	10,750	10,636
Purchased – in progress	239	25
Accumulated amortisation	(10,039)	(9,850)
Total computer software	950	811
Other intangibles:		
Internally developed – in use	1,582	1,582
Internally developed – in progress	-	-
Accumulated amortisation	(1,051)	(837)
Total other intangibles	531	745
Total intangibles	1,481	1,556

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles 2014

	Computer software purchased \$'000	Other intangibles internally developed \$'000	Total \$'000
As at 1 July 2013			
Gross book value	10,661	1,582	12,243
Accumulated amortisation and impairment	(9,850)	(837)	(10,687)
Net book value 1 July 2013	811	745	1,556
Additions:			
By purchase	328	-	328
Amortisation	(189)	(214)	(403)
Net book value 30 June 2014	950	531	1,481

Net book value as of 30 June 2014 represented by:

Gross book value	10,989	1,582	12,571
Accumulated amortisation and impairment	(10,039)	(1,051)	(11,090)
Net book value 30 June 2014	950	531	1,481

Note 7E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2013

	Computer software purchased \$'000	Other intangibles internally developed \$'000	Total \$'000
As at 1 July 2012			
Gross book value	10,868	1,583	12,451
Accumulated amortisation and impairment	(9,533)	(624)	(10,157)
Net book value 1 July 2012	1,335	959	2,294
Additions:			
By purchase	162	-	162
Amortisation	(317)	(214)	(531)
Other movements from prior year - WIP recognition	(369)	-	(369)
Net book value 30 June 2013	811	745	1,556

Net book value as of 30 June 2013 represented by:

Gross book value	10,661	1,582	12,243
Accumulated amortisation and impairment	(9,850)	(837)	(10,687)
Net book value 30 June 2013	811	745	1,556

National Museum of Australia
Notes to and forming part of the financial statements

	2014	2013
	\$'000	\$'000
Note 7F: Inventories		
Inventories held for sale:		
Work in progress	47	46
Finished goods	512	514
Total inventories held for sale	559	560
Total inventories	559	560

During 2014, \$798 of inventory held for sale was recognised as an expense (2013: \$22,648).

No items of inventory were recognised at fair value less cost to sell.

All inventories are expected to be sold or distributed in the next 12 months.

Note 7G: Other Non-Financial Assets

Prepayments	439	493
Prepaid leasehold contribution	-	-
Total other non-financial assets	439	493
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	439	493
More than 12 months	-	-
Total other non-financial assets	439	493

No indicators of impairment were found for other non-financial assets.

Note 8: Payables

Note 8A: Suppliers

Trade creditors and accruals	2,028	3,639
Operating lease rentals	31	62
Total suppliers payables	2,059	3,701

Suppliers payables expected to be settled within 12 months:

Related entities	28	81
External parties	2,031	3,620
Total	2,059	3,701

Settlement was usually made within 30 days.

Note 8B: Other Payables

Wages and salaries	595	610
Superannuation	91	85
Prepayments received/unearned income	132	227
Total other payables	818	922

Total other payables are expected to be settled in:

No more than 12 months	818	922
More than 12 months	-	-
Total other payables	818	922

National Museum of Australia
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Note 9: Provisions

	2014	2013
	\$'000	\$'000
Note 9A: Employee Provisions		
Leave	5,372	5,631
Separations and redundancies	-	-
Total employee provisions	<u>5,372</u>	<u>5,631</u>
Employee provisions are expected to be settled in:		
No more than 12 months	-	-
More than 12 months	5,372	5,631
Total employee provisions	<u>5,372</u>	<u>5,631</u>

Note 10: Cash Flow Reconciliation

Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement

Cash and cash equivalents as per:

Cash flow statement	1,322	3,775
Statement of financial position	1,322	3,775
Difference	<u>-</u>	<u>-</u>

Reconciliation of net cost of services to net cash from operating activities:

Net cost of services	(42,908)	(42,612)
Revenue from Government	41,644	40,889
Adjustments for non-cash items		
Depreciation / amortisation	7,810	8,401
Net write down of non-financial assets	18	6
(Gain) loss on disposal of assets	9	30
Donated assets	(246)	(197)

Movements in assets / liabilities

Assets

(Increase) / decrease in net receivables	(139)	668
(Increase) / decrease in inventories	1	(164)
(Increase) / decrease in prepayments	54	53

Liabilities

Increase / (decrease) in employee provisions	(259)	(223)
Increase / (decrease) in supplier payables	(1,642)	(1,470)
Increase / (decrease) in other payables	(104)	275

Net cash from operating activities	<u>4,238</u>	<u>5,656</u>
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National Museum of Australia
Notes to and forming part of the financial statements

Note 11: Council Members' Remuneration

	2014 No.	2013 No.
The number of non-executive members of the Council of the National Museum of Australia included in these figures are shown below in the relevant remuneration bands:		
\$0 to \$29,999	8	7
\$30,000 to \$59,999	<u>1</u>	<u>1</u>
Total	<u>9</u>	<u>8</u>
	\$	\$
Total remuneration received or due and receivable by non-executive members of the Council of the National Museum of Australia	<u>189,548</u>	<u>137,765</u>

Council members are paid in accordance with Remuneration Tribunal determinations as provided by section 16 of the *National Museum of Australia Act 1980*.

Remuneration of the executive member of the Council of the National Museum of Australia is included in Note 13: Senior Executive Remuneration.

Note 12: Related Party Disclosures

Council members of the National Museum of Australia

The name of each person who was a member of the Council during the year was:

<i>Chair</i>	<i>Period of Appointment</i>
Mr D Gilbert AM	27 March 2009 to 26 March 2012 and 5 April 2012 to 4 April 2015
 <i>Non-Executive Members</i>	
Mr N Davie	7 September 2009 to 6 September 2012 and 25 October 2012 to 6 September 2015
Prof R Frances	25 February 2010 to 24 February 2013 and 30 May 2013 to 29 May 2016
Prof Emeritus A Hull AO	12 December 2008 to 11 December 2011 and 12 December 2011 to 22 November 2014
Mr D Jones	25 February 2010 to 24 February 2013 and 30 May 2013 to 29 May 2016
Prof C Lumby	30 May 2013 to 29 May 2016
Mr J Morse AM	28 November 2008 to 27 November 2011 and 28 November 2011 to 22 November 2014
Dr B Piscitelli AM	17 July 2008 to 16 July 2011 and 17 July 2011 to 16 July 2014
Mr P Yu	25 February 2010 to 24 February 2013 and 30 May 2013 to 29 May 2016
 <i>Executive Member</i>	
Dr Mathew Trinca	2 July 2013 to 16 February 2014 17 February 2014 to 16 February 2019

Transactions with Council members or their related entities

The aggregate remuneration of Council members is disclosed in Note 11.

Mr D Gilbert is also a director of the National Australia Bank Ltd. where the Museum periodically holds investment funds. Investment decisions are made in accordance with Museum policy, which provides for investments to be made across a range of banks at the best available rate on the day.

A consultancy procurement contract was made to Yuco Pty Ltd, of which Mr P Yu is a director. The value is \$30,000. It was approved by Council in August 2012 and was made on normal terms and conditions. Mr Yu took no part in the relevant decisions of the Council.

There were no other related party transactions during the year, including loans to Council members or their related entities, which would require disclosure.

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Note 13: Senior Executive Remuneration

Note 13A: Senior Executive Remuneration Expenses for the Reporting Period

	2014	2013
	\$	\$
Short-term employee benefits:		
Salary	814,130	731,658
Performance bonuses	35,437	43,887
Motor vehicle and other allowances	18,108	51,334
Total short-term employee benefits	867,675	826,879
Post-employment benefits:		
Superannuation	118,876	107,505
Total post-employment benefits	118,876	107,505
Other long-term benefits:		
Annual leave accrued	67,269	58,366
Long-service leave	26,375	21,799
Total other long-term benefits	93,644	80,165
Total employment benefits	1,080,195	1,014,549

Notes:

- Note 13A is prepared on an accrual basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 12B).
- Note 13A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$195,000.

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Note 13B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

Average annual reportable remuneration ¹	2014						
	Substantive senior executives	No.	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total
			\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):							
\$195,000 to \$224,999	1	1	171,779	47,679	-	-	219,458
\$225,000 to \$254,999	1	1	196,384	38,830	60	-	235,274
\$255,000 to \$284,999	1	1	244,749	30,140	60	-	274,949
Total		3					

Average annual reportable remuneration ¹	2013						
	Senior Executives	No.	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total
			\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):							
\$195,000 to \$224,999	3	3	181,067	35,395	-	-	216,462
\$285,000 to \$314,999	1	1	223,219	62,709	-	-	285,928
Total		4					

Notes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column)
 - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits).
- The 'contributed superannuation' amount is the average cost to the National Museum of Australia for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the National Museum of Australia during the financial year.
- Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Note 13C: Other highly paid staff

There were no other staff receiving remuneration over \$195,000 in 2014. (2013:Nil)

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Note 14: Remuneration of Auditors

	2014	2013
	\$'000	\$'000
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	56	54
	<u>56</u>	<u>54</u>

No other services were provided by the ANAO.

Note 15: Financial Instruments

Note 15A: Categories of Financial Instruments

Financial Assets

Held-to-maturity:

Term Deposits	39,000	34,500
Total	<u>39,000</u>	<u>34,500</u>
Loans and receivables:		
Cash and cash equivalents	1,322	3,775
Trade and other receivables	128	420
Interest Receivable	516	260
Total	<u>1,966</u>	<u>4,455</u>
Carrying amount of financial assets	<u>40,966</u>	<u>38,955</u>

Financial Liabilities

At amortised cost:

Supplier Payables	2,059	3,701
Total	<u>2,059</u>	<u>3,701</u>
Carrying amount of financial liabilities	<u>2,059</u>	<u>3,701</u>

Note 15B: Net Income and Expense from Financial Assets

Held-to-maturity

Interest revenue	1,482	1,642
Net gain/(loss) held-to-maturity	<u>1,482</u>	<u>1,642</u>
Loans and receivables		
Interest revenue	118	340
Net gain from loans and receivables	<u>118</u>	<u>340</u>
Net gain from financial assets	<u>1,600</u>	<u>1,982</u>

The net income/expense from financial assets not at fair value from profit and loss is \$1,600,448 (2013: \$1,982,620).

Note 15C: Fair Value of Financial Instruments

The carrying value of the financial instruments approximate their fair values.

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Note 15D: Credit Risk

The Museum is exposed to minimal credit risk as the majority of loans and receivables and held-to-maturity 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 following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements.

	2014	2013
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	1,322	3,775
Investments	39,000	34,500
Trade and other receivables	644	680
Total	40,966	38,955
Financial liabilities		
Trade creditors	2,059	3,701
Total	2,059	3,701

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,322	3,775	-	-
Investments	39,000	34,500	-	-
Trade and other receivables	638	622	6	58
Total	40,960	38,897	6	58

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.

The ageing of financial assets that are past due but not impaired is equal to the ageing of receivable and is stated in Note 6B.

Note 15E: Liquidity Risk

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.

Maturities for non-derivative financial liabilities 2014

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors	2,059	-	-	-	-	2,059
Total	2,059	-	-	-	-	2,059

Maturities for non-derivative financial liabilities 2013

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors	3,701	-	-	-	-	3,701
Total	3,701	-	-	-	-	3,701

The National Museum of Australia had no derivative financial liabilities in either 2014 or 2013

National Museum of Australia
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Note 15F: Market Risk

The table below details the interest rate sensitivity analysis of the Museum at the reporting date holding other variables constant. A 60 basis point change is deemed to be reasonably possible and is used when reporting interest risk.

Sensitivity analysis of the risk that the entity is exposed to for 2014

	Risk variable	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Interest rate risk	Interest	0.60	234	234
Interest rate risk	Interest	(0.60)	(234)	(234)

Sensitivity analysis of the risk that the entity is exposed to for 2013

	Risk variable	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Interest rate risk	Interest	1.20	414	414
Interest rate risk	Interest	(1.20)	(414)	(414)

The method used to arrive at the possible change of 60 basis points was based on 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.

Note 16: Financial Assets Reconciliation

		2014 \$'000	2013 \$'000
Financial assets	Notes		
Total financial assets as per statement of financial position		41,302	39,129
Less: non-financial instrument components:			
GST receivable from the Australian Taxation Office	6B	336	174
Total non-financial instrument components		<u>336</u>	<u>174</u>
Total financial assets as per financial instruments note		40,966	38,955

Note 17: Compensation and Debt Relief

No payments were made in respect of compensation and debt relief during the reporting period (2013: nil).

Note 18: Assets Held in the National Museum of Australia Fund

Purpose - the Fund, set up under section 34 of the *National Museum of Australia Act 1980*, is 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.

	2014 \$'000	2013 \$'000
Total amount held at the beginning of the reporting period	17	45
Receipts	262	39
Payments	(71)	(67)
Total amount held at the end of the reporting period	208	17

National Museum of Australia
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Note 19: Reporting of Outcomes

The National Museum of Australia has a single Outcome which is reported in Note 1.1

Net Cost of Outcome Delivery

	Outcome	
	2014	2013
	\$'000	\$'000
Departmental		
Expenses	48,085	47,543
Own-source income	5,177	4,931
Net cost of outcome delivery	42,908	42,612

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

Note 20: Net Cash Appropriation Arrangements

	2014	2013
	\$'000	\$'000
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations¹	13,182	7,509
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	1,038	1,031
Total comprehensive income - as per the Statement of Comprehensive Income	14,220	8,540

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.



Old Masters: Australia's Great Bark Artists, on display at the National Museum of Australia from 6 December 2013 to 20 July 2014, featuring 122 works from the Museum's extensive collection of bark paintings