

PART FOUR

Audited financial statements and notes forming part of the
financial statements for the year ended 30 June 2004





INDEPENDENT AUDIT REPORT

To the Minister for Communications, Information Technology and the Arts

Scope

The financial statements comprise:

- Statement by Councillors;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements.

for the National Museum of Australia for the year ended 30 June 2004.

The members of the Council are responsible for the preparation and true and fair presentation of the financial report in accordance with the Finance Minister's Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I have conducted an independent audit in order to express an opinion to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of our procedures, the audit was not designed to provide assurance on internal controls.

The audit did not involve an analysis of the prudence of business decisions made by members of the Council or management.

Procedures were performed to assess whether in all material respects the financial statements presents fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the National Museum of Australia's performance as represented by the statements of financial performance, financial position and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Chief Executive.

Independence


In conducting the audit, I have followed the independence requirements of the ANAO, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of National Museum of Australia as at 30 June 2004, and their financial performance and cash flows for the year then ended.

Australian National Audit Office



Richard Rundle
Executive Director

Delegate of the Auditor-General
Canberra

30 July 2004

National Museum of Australia

Statement by Council Members

In Council's opinion, the attached financial statements for the year ended 30 June 2004 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*.

In Council's 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 become due and payable.

This statement is made in accordance with a resolution of Council members.



Tony Staley
Chairman of Council

28 July 2004



Benjamin Chow
Council Member

28 July 2004



Craddock Morton
Director

28 July 2004

NATIONAL MUSEUM OF AUSTRALIA
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2004

	Notes	2004 \$	2003 \$
REVENUE			
<i>Revenues from ordinary activities</i>			
Revenues from Government	5A	40,320,000	67,565,000
Goods and Services	5B	2,947,865	2,609,106
Interest	5C	1,835,119	1,192,328
Contributions	5D	83,898	301,486
Other Revenues	5E	622,172	413,539
Revenue from sale of assets	6F	9,872	-
<i>Revenues from ordinary activities</i>		<u>45,818,926</u>	<u>72,081,459</u>
EXPENSE			
<i>Expenses from ordinary activities (excluding borrowing costs expense)</i>			
Employees	6A	14,305,813	13,197,169
Suppliers	6B	22,447,281	18,420,183
Grants	6C	116,207	63,410
Depreciation and amortisation	6D	7,837,440	8,200,433
Write-down of assets	6E	312,462	-
Value of assets sold	6F	14,587	-
<i>Expenses from ordinary activities (excluding borrowing costs expense)</i>		<u>45,033,789</u>	<u>39,881,195</u>
<i>Borrowing costs expense</i>	7	<u>(20,382)</u>	<u>(26,784)</u>
<i>Operating surplus from ordinary activities</i>		<u>764,754</u>	<u>32,173,480</u>
<i>Net profit</i>		<u>764,754</u>	<u>32,173,480</u>
Net credit to asset revaluation reserve	13	-	7,187,070
<i>Total revenues, expenses and valuation adjustments recognised directly in equity</i>		<u>-</u>	<u>7,187,070</u>
<i>Total changes in equity other than those resulting from transactions with the Australian Government as owner</i>		<u>764,754</u>	<u>39,360,550</u>

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

NATIONAL MUSEUM OF AUSTRALIA
STATEMENT OF FINANCIAL POSITION
as at 30 June 2004

	Notes	2004 \$	2003 \$
ASSETS			
<i>Financial assets</i>			
Cash	14B	3,270,229	2,725,560
Receivables	8A	883,169	933,110
Investments	8B	26,734,051	22,920,317
Total financial assets		30,887,449	26,578,987
<i>Non-financial assets</i>			
Land and Buildings	9A,D	67,078,047	66,852,166
Infrastructure, plant and equipment	9B,D	39,283,057	42,885,137
National Historical Collection	98C,D	132,205,984	132,212,517
Inventories	9F	533,937	634,553
Intangibles	9E	2,823,359	4,053,479
Other non-financial assets	9G	1,810,603	808,787
Total non-financial assets		243,734,988	247,446,639
Total assets		274,622,436	274,025,626
LIABILITIES			
<i>Interest bearing liabilities</i>			
Loans	10A	459,596	679,404
Total interest bearing liabilities		459,596	679,404
<i>Provisions</i>			
Employees	11A	3,236,305	3,057,261
Total provisions		3,236,305	3,057,261
<i>Payables</i>			
Suppliers	12A	326,302	582,575
Other payables	12B	79,091	-
Total payables		405,393	582,575
Total liabilities		4,101,294	4,319,239
NET ASSETS		270,521,142	269,706,387
EQUITY			
<i>Parent entity interest</i>			
Contributed equity	13	2,021,000	1,971,000
Reserves	13	8,504,364	8,504,364
Accumulated surpluses	13	259,995,778	259,231,023
Total parent entity interest		270,521,142	269,706,387
Total equity		270,521,142	269,706,387
<i>Current assets</i>		33,231,989	28,022,327
<i>Non-current assets</i>		241,390,447	246,003,299
<i>Current liabilities</i>		2,516,249	2,549,675
<i>Non-current liabilities</i>		1,585,045	1,769,564

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

NATIONAL MUSEUM OF AUSTRALIA
STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Notes	2004 \$	2003 \$
Operating Activities			
<i>Cash received</i>			
Goods and Services		3,263,987	2,615,405
Appropriations		40,320,000	67,565,000
Interest		1,606,002	1,192,328
GST received from ATO		2,377,006	1,546,952
Other		644,370	531,399
<i>Total cash received</i>		<u>48,211,367</u>	<u>73,451,084</u>
<i>Cash used</i>			
Employees		(14,117,661)	(12,416,889)
Suppliers		(26,197,148)	(30,635,817)
Grants		(100,034)	(63,410)
Borrowing costs		(20,382)	(26,784)
<i>Total cash used</i>		<u>(40,435,225)</u>	<u>(33,142,900)</u>
<i>Net cash from operating activities</i>	14A	<u>7,776,142</u>	<u>40,308,184</u>
Investing Activities			
<i>Cash Used</i>			
Proceeds from sale of property, plant and equipment		9,872	-
		<u>9,872</u>	<u>-</u>
<i>Cash used</i>			
Purchases of property, plant and equipment		(2,551,786)	(2,404,062)
Purchases of intangibles		(140,621)	(274,650)
Purchase of Investments		(3,813,733)	(10,767,114)
Purchases of National Historical Collection items		(565,397)	(330,660)
<i>Total cash used</i>		<u>(7,071,537)</u>	<u>(13,826,486)</u>
<i>Net cash from/(used by) investing activities</i>		<u>(7,061,665)</u>	<u>(13,826,486)</u>
Financing Activities			
<i>Cash received</i>			
Appropriations - Contributed equity		50,000	1,971,000
<i>Total cash received</i>		<u>50,000</u>	<u>1,971,000</u>
<i>Cash used</i>			
Repayments of debt		(219,808)	(213,406)
Capital use charge paid		-	(29,048,000)
<i>Total cash used</i>		<u>(219,808)</u>	<u>(29,261,406)</u>
<i>Net cash from/(used by) financing activities</i>		<u>(169,808)</u>	<u>(27,290,406)</u>
<i>Net increase/(decrease) in cash held</i>		544,669	(808,708)
Cash at the beginning of the reporting period		2,725,560	3,534,268
<i>Cash at the end of the reporting period</i>	14B	<u>3,270,229</u>	<u>2,725,560</u>

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

NATIONAL MUSEUM OF AUSTRALIA
SCHEDULE OF COMMITMENTS
as at 30 June 2004

	2004 \$	2003 \$
By Type		
<i>Capital commitments</i>		
Infrastructure, plants and equipment ¹	-	75,792
Land and buildings ²	246,383	143,088
National Historical Collection ³	-	2,200
Intangibles ⁴	24,752	36,428
<i>Total capital commitments</i>	<u>271,135</u>	<u>257,509</u>
<i>Other commitments</i>		
Operating leases ⁴	7,234,137	7,269,315
Other commitments ⁵	3,831,636	1,561,941
<i>Total other commitments</i>	<u>11,065,773</u>	<u>8,831,256</u>
<i>Commitments receivable</i>	<u>(1,592,728)</u>	<u>(826,051)</u>
<i>Net commitments</i>	<u><u>9,744,180</u></u>	<u><u>8,262,714</u></u>
By Maturity		
<i>Capital commitments</i>		
One year or less	271,135	257,509
From one to five years	-	-
Over five years	-	-
<i>Total capital commitments</i>	<u>271,135</u>	<u>257,509</u>
<i>Operating lease commitments</i>		
One year or less	1,379,080	1,610,801
From one to five years	4,958,632	4,955,772
Over five years	896,424	702,742
<i>Total operating lease commitments</i>	<u>7,234,137</u>	<u>7,269,315</u>
<i>Other commitments</i>		
One year or less	3,528,846	1,561,941
From one to five years	1,302,790	-
Over five years	-	-
<i>Total other commitments</i>	<u>3,831,636</u>	<u>1,561,941</u>
<i>Commitments receivable</i>	<u>(1,592,728)</u>	<u>(826,051)</u>
<i>Net commitments</i>	<u><u>9,744,180</u></u>	<u><u>8,262,714</u></u>

NB: Commitments are GST inclusive where relevant.

- ¹ Plant and equipment and intangibles commitments relate to computer hardware and software development and exhibition work.
- ² Building commitments relate to improvements being carried out on owned and leased properties.
- ³ NHC commitment relates to objects being acquired for the National Historical Collection.
- ⁴ Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Leases for office accommodation (multiple sites)	Lease payments are subject to annual increase in accordance with movements in the Consumer Price Index. The initial periods of office accommodation leases are still current and each may be renewed for up to five years at the Museum's option.
Lease in relation to computer equipment	The lessor provides all computer equipment and software designated as necessary in the supply contract for three years.

- ⁵ As at 30 June 2004, other commitments comprise accounts payable for goods or services in respect of which the recipient is yet to perform the services required.

The above schedule should be read in conjunction with the accompanying notes

**NATIONAL MUSEUM OF AUSTRALIA
SCHEDULE OF CONTINGENCIES**

as at 30 June 2004

	Notes	2004 \$	2003 \$
Contingent liabilities			
Claims for damages/costs		-	-
Total contingent liabilities		-	-
Net contingent liabilities		-	-

Details of each class of contingent liabilities and assets, including those not disclosed above because they cannot be quantified or are considered remote, are shown in Note 15: Contingent Liabilities and Assets.

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

NATIONAL MUSEUM OF AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1:	Summary of Significant Accounting Policies
Note 2:	Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006
Note 3:	Economic Dependency
Note 4:	Events Occurring After Reporting Date
Note 5:	Operating Revenues
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Note 25:	Reporting of Outcomes

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Accounting

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 30 June 2004)*),
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position of the Museum.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets and liabilities can be reliably measured. Assets and liabilities under agreements equally proportionately unperformed are however not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.2 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002-03.

Property, plant and equipment assets are being revalued progressively as explained in Note 1.13. Revaluations up to 30 June 2002 were done on a 'deprival' basis; since that date, revaluations have been done on a fair value basis. Revaluation increments and decrements in each year of transition to fair value that would otherwise be accounted for as revenue or expenses are taken directly to accumulated results in accordance with transitional provisions of AASB 1041 *Revaluation of Non-Current Assets*.

In 2002-03, the Finance Minister's Orders introduced an impairment test for non-current assets which were carried at cost and not subject to *AASB Recoverable Amounts of Non-Current Assets*.

In 2003-04, the impairment test provisions of the FMOs have been extended to cover non-current assets carried at deprival value. There were no indications of impairment for these assets.

1.3 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Museum.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract to provide the service. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Revenues from Government - Output Appropriations

The full amount of the appropriation for departmental outputs for the year is recognised as revenue.

Resources Received Free of Charge

Services 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.

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

1.4 Transactions by the Government as Owner

Equity Injections

Amounts appropriated by the Parliament as equity injections are recognised as 'contributed equity' in accordance with the Finance Ministers Orders.

1.5 Employee Benefits

Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

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

All other employee benefit liabilities are measured as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Museum is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Museum's employee 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 and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2004. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Employees of the Museum are members of the Commonwealth Superannuation Scheme or the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Museum makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Museum's employees.

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

1.6 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 benefits incidental to ownership of leased non-current assets. In operating leases, the lessee effectively retains substantially all such risks and benefits.

The Museum has no finance leases.

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

1.7 Borrowing Costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

1.8 Grants

Most grant agreements require the grantee to perform services, provide facilities, or to meet eligibility criteria. In these cases, the Museum recognises grant liabilities only to the extent that the services required have been performed or the eligibility criteria have been satisfied by the grantee.

In cases where grant agreements are made without conditions to be monitored, liabilities are recognised on signing the agreement.

1.9 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount. Interest is credited to revenue as it accrues.

1.10 Other Financial Assets

Term deposits are recognised at cost.

1.11 Other Financial Liabilities

Non-bank loans are carried at the balance not yet repaid. Interest is expensed as it accrues.

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Interest payable is accrued over time.

1.12 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.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of a restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor entity's accounts immediately prior to the restructuring.

1.13 Property (Land, Buildings and Infrastructure), Plant and Equipment

Asset Recognition Threshold

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

Purchases of the National Historical Collection are recorded at cost. Items donated to the Collection are recorded at the curator's valuation.

Revaluations

Basis

Land, building, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*. Valuations undertaken in any year are as at 30 June.

Fair and deprival values for each class of assets are determined as shown below.

Asset class	Fair value measured at:	Deprival value measured at:
Land	Market selling price	Market selling price
Buildings	Market selling price	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant and equipment	Market selling price	Depreciated replacement cost
National Historical Collection	Market selling price	Market selling price

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2004 the Museum held no surplus assets (30 June 2003: \$0).

The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period where the measurement basis for fair value is different to that previously used for deprival value. The financial effect of the change is given by the difference between the fair values obtained for these assets in the current period and the deprival-based values recognised at the end of the previous period. The financial effect by class is as follows:

Asset class	Increment/decrement to asset class	Contra account
National Historical Collection	2004: Nil 2003: \$2,564,829	Revaluation Reserve

The total financial effect was to have no effect on the carrying amount of the National Historical Collection (2003: increase by \$2,564,829) and subsequently no effect on revaluation reserves (2003: increase by \$2,564,829).

Frequency

Land, buildings, plant and equipment are revalued progressively in successive three-year cycles. All current cycles commenced on 1 July 2001.

Freehold land, buildings on freehold land and leasehold improvements are each revalued progressively on a geographical basis.

Plant and equipment assets are being revalued by type of asset.

The National Historical Collection assets are maintained at fair value.

Assets in each class acquired after the commencement of the progressive revaluation cycle are not captured by the progressive revaluation then in progress.

The Finance Minister's Orders require that all property, plant and equipment assets be measured at up-to-date fair values from 30 June 2005 onwards. The current year is therefore the last year in which the Museum will undertake progressive revaluations.

Conduct

All valuations are conducted by an independent qualified valuer except for items donated to the Museum and not included in the current valuation cycle. These items are valued by the Museum's curators.

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Museum using, in all cases, the straight line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued. A major review of Collection useful lives was undertaken as at 1 July 2003 which resulted in all Collection items being assigned a useful life, with the majority having their useful life extended from 75 years to 200 and 300 years (maximum 500 years).

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

	2004	2003
Buildings on freehold land	100 years	100 years
Leasehold improvements	Lease term	Lease term
Plant and equipment	5-100 years	5 - 100 years
National Historical Collection	50 to 500 years	unlimited to 75 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6D.

1.14 Impairment of Non-Current Assets

Non-current assets carried at up-to-date fair values at the reporting date are not subject to impairment testing.

Non-current assets carried at cost or depreciable value and held to generate net cash inflows have been tested for their recoverable amounts at the reporting date. The test compared the carrying amounts against the net present value of future net cash inflows. No write-down to recoverable amount was required (2003: nil).

The non-current assets carried at cost or depreciable value, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the carrying amount of the asset is compared to its net selling price and depreciated replacement cost and is written down to its higher of the two amounts, if necessary.

1.15 Inventories

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

Inventories not held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- raw materials and stores - purchase cost on a first-in-first-out basis;
- and
- finished goods and work in progress - cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

1.16 Intangibles

The Museum's intangibles comprise purchased software. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Museum's software is 3 to 8 years (2002-03: 3 to 8 years).

All software assets were assessed for impairment as at 30 June 2004. None were found to be impaired.

1.17 Taxation

The Museum is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

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

1.18 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

1.19 Insurance

The Museum has insured for risks through the Government's insurable risk managed fund, called 'Covernet'. Workers compensation is insured through Comcare Australia.

2. Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006.

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

The purpose of issuing Australian Equivalents to IFRSs is to enable Australian entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying fully with the Australian Equivalents will be able to make an explicit and unreserved statement of compliance with IFRSs as well as with the Australian Equivalents.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the Australian Equivalents to IFRSs, in his Orders for the Preparation of Authorities' financial statements for 2005-06 and beyond.

The Australian Equivalents contain certain additional provisions which will apply to not-for-profit entities, including the Museum. Some of these provisions are in conflict with the IFRSs and therefore the Museum will only be able to assert compliance with the Australian Equivalents to the IFRSs.

Existing AASB standards that have no IFRS equivalent will continue to apply.

Accounting standard AASB 1047 *Disclosing the Impact of Adopting Australian Equivalents to IFRSs* requires that the financial statements for 2003-04 disclose:

- An explanation of how the transition to the Australian Equivalents is being managed, and
- A narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

Management of the transition to AASB Equivalents to IFRSs

The Museum has taken the following steps in preparation towards the implementation of Australian Equivalents:

- The Museum's Audit Committee is tasked with oversight of the transition to and implementation of the Australian Equivalents to IFRSs. The Chief Finance Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against the formal plan approved by the Committee.
- The plan requires the following key steps to be undertaken and sets deadlines for their achievement:
 - Identification of all major accounting policy differences between current AASB standards and the Australian Equivalents to IFRSs progressively to 30 June 2004.
 - Identification of systems changes necessary to be able to report under the Australian Equivalents, including those necessary to enable capture of data under both sets of rules for 2004-05, and the testing and implementation of those changes.
 - Preparation of a transitional balance sheet as at 1 July 2004, under Australian Equivalents, within two months of 30 June 2004.
 - Preparation of an Australian Equivalent balance sheet at the same time as the 30 June 2005 statements are prepared.
 - Meeting reporting deadlines set by Finance for the 2005-06 balance sheet under Australian Equivalent Standards.
- The plan also addresses the risks to successful achievement of the above objectives and includes strategies to keep implementation on track to meet deadlines.
- To date, all major accounting and disclosure differences and system changes have been identified and the system changes have been tested successfully.
- Consultants were engaged by the Museum to assess and provide recommendations on the impact of the changes. The Museum has implemented all recommendations from this report.

Major changes in accounting policy

Changes in accounting policies under Australian Equivalents are applied retrospectively i.e. as if the new policy had always applied. This rule means that a balance sheet prepared under the Australian Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This will enable the 2005-06 financial statements to report comparatives under the Australian Equivalents also.

Changes to major accounting policies are discussed in the following paragraphs.

Property, plant and equipment

It is expected that the Finance Minister's Orders will require property, plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value from 2005-06. This differs from the accounting policies currently in place for these assets which, up to and including 2003-04, have been revalued progressively over a 3-year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is available).

However, it is important to note that the Finance Minister requires these assets to be measured at up-to-date fair values as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets are carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

Borrowing costs related to qualifying assets are currently capitalised. It is understood that the FMOs for 2005-06 will elect to expense all borrowing costs under the new Australian Equivalent standard. Accordingly, borrowing costs capitalised as at 1 July 2004 will be written-off to accumulated results.

Intangible Assets

The Australian Equivalent on Intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. All intangible assets are externally acquired and measured at cost, as such this change will have no effect on the Museum.

Impairment of Non-Current Assets

The Museum's policy on impairment of non-current assets is at note 1.14.

Under the new Australian Equivalent Standard, these assets will be subject to assessment for impairment and, if there are indications of impairment, measurement of any impairment (impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for for-profit assets of the Museum and depreciated replacement cost for other assets which would be replaced if the Museum were deprived of them.

The most significant changes are that, for the Museum's for-profit assets, the recoverable amount is only generally to be measured where there is an indication of impairment and that assets carried at up-to-date fair values, whether for-profit or not, may nevertheless be required to be written down if costs to sell are significant.

Inventory

The Museum recognises inventory not held for sale at cost, except where no longer required, in which case net realisable value is applied.

The new Australian Equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost.

Employee Benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

Under the new Australian Equivalent standard, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case the market yield on such bonds must be used.

Financial Instruments

Financial assets and liabilities are likely to be accounted for as 'held at fair value through profit and loss' or available-for-sale where the fair value can be reliably measured (in which case, changes in value are initially taken to equity). Fair values will be published prices where an active market exists or by appraisal.

Cash and receivables are expected to continue to be measured at cost information.

Financial assets, except those classified as 'held at fair value through profit and loss', will be subject to impairment testing.

3. Economic Dependency

The National Museum of Australia was established by section 4 of the *National Museum of Australia Act 1980* and is controlled by the Commonwealth of Australia.

The Museum is dependent on appropriations from the Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities.

4. Events Occurring after Reporting Date

There are no events occurring after balance date that will materially affect the financial statements.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$
Note 5: Operating Revenues		
<u>Note 5A: Revenues from Government</u>		
Appropriations for outputs	40,320,000	67,565,000
Total revenues from government	40,320,000	67,565,000
<u>Note 5B: Sale of Goods and Services</u>		
Goods	1,089,226	999,947
Services	1,858,639	1,609,159
Total sales of goods and services	2,947,865	2,609,106
Provision of goods to:		
Related entities	-	-
External entities	1,089,226	999,947
Total sales of goods	1,089,226	999,947
Rendering of services to:		
Related entities	-	-
External entities	1,858,639	1,609,159
Total rendering of services	1,858,639	1,609,159
Cost of sales of goods	599,901	562,508
<u>Note 5C: Interest Revenue</u>		
Deposits	1,835,119	1,192,328
<u>Note 5D: Contributions Revenue</u>		
Donations and bequests	83,898	301,486
<u>Note 5E: Other Revenues</u>		
Sponsorship and Grants Revenue	622,172	413,539
Note 6: Operating Expenses		
<u>Note 6A: Employee Expenses</u>		
Wages and Salaries	10,754,081	9,758,358
Superannuation	1,704,590	1,557,316
Leave and other entitlements	1,064,731	1,206,463
Separation and redundancy	102,306	203,287
Other employee benefits	526,121	401,976
Total employee benefits expenses	14,151,829	13,127,401
Workers compensation premiums	153,984	69,768
Total employee expenses	14,305,813	13,197,169

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$
Note 6B: Supplier Expenses		
Goods from related entities	-	-
Goods from external entities	13,811,068	11,016,216
Services from related entities	-	-
Services from external entities	6,818,880	5,686,647
Operating lease rentals	1,817,333	1,717,319
Total supplier expenses	22,447,281	18,420,183

Note 6C: Grant Expense

The Museum makes grants to support research in Australian history and cultures.

Grants to external entities	116,207	63,410
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Note 6D: Depreciation and Amortisation

Depreciation of property, plant and equipment	6,484,465	6,825,513
Amortisation of intangibles	1,352,975	1,374,920
Total depreciation and amortisation	7,837,440	8,200,433

The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follows:

Buildings on freehold land	640,548	635,299
Leasehold improvements	48,952	13,811
Plant and equipment	5,159,899	4,933,702
National Historical Collection	635,066	1,242,701
Intangibles	1,352,975	1,374,920
Total depreciation and amortisation	7,837,440	8,200,433

Note 6E: Write-Down of Assets

Bad and doubtful debts expense	53,921	-
Inventory Write-Off	259,441	-
Total write-down of assets	312,462	-

Note 6F: Net Loss from Sale of Assets

Proceeds from disposal	9,872	-
Net book value of assets sold	(14,587)	-
Net loss from disposal of assets	(4,715)	-

Note 7: Borrowing Costs Expense

Loans	20,382	26,784
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NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004 \$	2003 \$
Note B: Financial Assets		
Note 8A: Receivables		
Goods and services	281,669	429,616
Less: Provision for doubtful debts	(58,323)	-
	<u>223,346</u>	<u>429,616</u>
Interest Receivable	229,116	-
GST receivable	430,707	503,494
Total receivables (net)	<u>883,169</u>	<u>933,110</u>

All receivables are current assets.

Receivables (gross) are aged as follows:

Not overdue	801,036	673,771
Overdue by:		
Less than 30 days	18,686	256,490
30 to 60 days	39,729	316
60 to 90 days	5,768	1,433
More than 90 days	76,273	1,100
	<u>140,456</u>	<u>259,339</u>
Total receivables (gross)	<u>941,492</u>	<u>933,110</u>

The provision for doubtful debts is aged as follows:

Not overdue	-	-
Overdue by:		
Less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	58,323	-
Total provision for doubtful debts	<u>58,323</u>	<u>-</u>

Receivables for Goods and Services

Credit terms are net 30 days (2003: 30 days).

Note 8B: Investments

Terms Deposits	12,638,570	9,305,356
Certificates of Deposit/Commercial Bills	14,095,481	13,614,961
Total investments	<u>26,734,051</u>	<u>22,920,317</u>

Investments are with the Museum's bankers, and earn effective rates of interest of 5.58%, 5.59%, 5.60%, 5.61%, 5.62%, 5.66%, 5.57%, 5.48% and 5.44% (2003: 4.56%, 4.69%, 4.85%, 4.86% and 4.87%) payable at the end of the term.

A recent performance audit by the Australian National Audit Office has raised issues relating to the technical interpretation of s18 of the *Commonwealth Authorities and Companies Act 1987* with regard to the nature of deposits.

The Museum proposes to review its investments in light of any recommendations flowing from the review.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004 \$	2003 \$
Note 9: Non-Financial Assets		
Note 9A. Land and Buildings		
<i>Freehold land</i>		
- at 2001-2004 valuation (deprival)	4,400,000	4,400,000
Total freehold land	4,400,000	4,400,000
Buildings on freehold land		
- at cost	419,526	-
- Accumulated depreciation	(3,507)	-
	416,019	-
- at 2001-2004 valuation (deprival)	63,529,910	63,529,910
- Accumulated depreciation	(2,119,984)	(1,482,943)
	61,409,926	62,046,967
Total buildings on freehold land	61,825,944	62,046,967
Leasehold improvements		
- at cost	877,642	381,788
- Accumulated amortisation	(57,027)	(11,084)
	820,615	370,704
- at 2001-2004 valuation (deprival)	60,000	60,000
- Accumulated amortisation	(28,512)	(25,505)
	31,488	34,495
Total leasehold improvements	852,103	405,199
Total Land and Buildings (non-current)	67,078,047	66,852,166
Note 9B. Infrastructure, Plant and Equipment		
Plant and equipment		
- at cost	3,362,855	1,807,660
- Accumulated depreciation	(575,844)	(172,457)
	2,787,011	1,635,204
- at valuation 2001-2004 (deprival)	53,339,434	53,357,139
- Accumulated depreciation	(16,843,387)	(12,107,206)
	36,496,047	41,249,934
Total Infrastructure, Plant and Equipment (non-current)	39,283,057	42,885,137
Note 9C. National Historical Collection		
National Historical Collection		
- at cost	799,101	170,567
- Accumulated depreciation	(3,509)	(136)
	795,591	170,431
- at valuation 2003-2006 (fair value)	132,352,526	132,352,526
- Accumulated depreciation	(942,133)	(310,440)
	131,410,393	132,042,086
Total National Historical Collection (non-current)	132,205,984	132,212,517
The National Historical Collection is subject to revaluation in the current year. The carrying amount is included in the valuation figures above and is separately disclosed in Table B in Note 8D.		
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1. In 2002-03, the revaluations were conducted by an independent valuer Mr. Simon Storey (Simon Storey Valuers).		
Movement in Asset Revaluation Reserve		
Increment for National Historical Collection		
	-	7,187,070
	-	7,187,070

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 9D. Analysis of Progress, Plant and Equipment

TABLE F. A: Reconciliation of the opening and closing balances of property, plant and equipment

Item	Land	Buildings on Freehold Land	Buildings - Leasehold Improvements	Other Infrastructure, Plant & Equipment	National Historical Collection
	\$	\$	\$	\$	\$
As at 1 July 2003					
Gross book value	4,400,000	63,529,910	441,938	53,164,800	132,523,093
Accumulated depreciation/amortisation	n/a	(1,482,943)	(36,889)	(12,279,662)	(310,576)
Net book value	4,400,000	62,046,967	405,049	42,885,137	132,212,517
Additions					
By purchase		419,526	495,854	1,572,406	628,533
Net revaluations (increments/decrements)					
Depreciation/amortisation expense		(640,548)	(48,952)	(5,159,899)	(635,866)
Disposals					
From disposal of operations				(14,597)	
Other disposals					
As at 30 June 2004					
Gross book value	4,400,000	63,949,436	937,642	56,702,289	133,151,626
Accumulated depreciation/amortisation	n/a	(2,123,491)	(85,541)	(17,419,231)	(945,642)
Net book value	4,400,000	61,825,945	852,101	39,283,058	132,205,984

TABLE B: Assets at valuation

Item	Land	Buildings on Freehold Land	Buildings - Leasehold Improvements	Other Infrastructure, Plant & Equipment	National Historical Collection
	\$	\$	\$	\$	\$
As at 30 June 2004					
Gross value	4,400,000	63,529,910	60,000	53,339,434	132,352,526
Accumulated Depreciation/Amortisation	n/a	(2,119,984)	(28,512)	(16,982,387)	(942,133)
Net book value	4,400,000	61,409,926	31,488	36,357,047	131,410,393
As at 30 June 2003					
Gross value	4,400,000	63,529,910	60,000	53,357,139	132,352,526
Accumulated Depreciation/Amortisation	n/a	(1,482,943)	(25,505)	(12,107,206)	(310,440)
Net book value	4,400,000	62,046,967	34,495	41,249,933	132,042,087

There are no assets held under finance lease.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

TABLE C: Assets under construction

Item	Buildings on Freehold Land	Buildings - Leasehold Improvements	Other Infrastructure, Plant & Equipment	National Historical Collection	Intangibles	TOTAL
Gross Value as at 30 June 2004	\$ -	\$ -	\$ 90,971	\$ -	\$ 175,849	\$ 266,820
Gross Value as at 30 June 2003	-	214,174	246,625	-	179,680	640,479

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$
Note 9E: Intangibles		
Externally acquired	7,629,275	7,506,421
Accumulated amortisation	(4,805,917)	(3,452,942)
Total intangibles	2,823,359	4,053,479

TABLE A: Reconciliation of the opening and closing balances of property, plant, equipment and intangibles

Item	Computer Software
	\$
As at 1 July 2003	
Gross book value	7,506,420
Accumulated depreciation/amortisation	(3,452,942)
Net book value	4,053,479
Additions	
by purchase of assets	122,855
Net revaluations increment/(decrement)	
Depreciation/amortisation expense	(1,352,975)
Disposals	
from disposal of operations	
other disposals	
As at 30 June 2004	
Gross book value	7,629,275
Accumulated depreciation/amortisation	(4,805,917)
Net book value	2,823,359

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	<u>2004</u>	<u>2003</u>
	\$	\$
Note 9F: Inventories		
Finished goods (cost)	533,937	634,553
Inventories held for sale	533,937	634,553
Total inventories	533,937	634,553

All inventories are current assets.

Note 9G: Other Non-Financial Assets

Prepayments	275,033	168,308
Deferred expenditure - assets work in progress	266,810	640,479
Prepaid property rentals - National Capital Authority	1,268,750	-
Total other non-financial assets	1,810,603	808,787

Note 10: Interest Bearing Liabilities

Note 10A: Loans

Non-bank loans	459,596	679,404
Maturity schedule for loans:		
Payable:		
Within one year	226,402	219,808
In one to five years	233,194	459,596
In more than five years	-	-
Total loans	459,596	679,404

Non-bank Loan

The loan is repayable in annual instalments. Interest is calculated on the reducing balance of the loan. The effective interest rate is 3.0% (2003: 3.0%). The last instalment is due to be paid in 2005-06. The loan is unsecured.

Note 11: Provisions

Note 11A: Employees Provisions

Salaries and wages	473,184	358,080
Leave	2,451,913	2,392,019
Superannuation	311,208	307,162
Aggregate employee entitlement liability	3,236,305	3,057,261
Current	1,884,454	1,747,293
Non-current	1,351,851	1,309,968

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$

Note 12: Payables

Note 12A: Supplier Payables

Trade creditors	<u>326,302</u>	<u>582,575</u>
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All supplier payables are current.

Trade Creditors

Settlement is usually made net 30 days.

Note 12B: Other Payables

Deferred income - prepaid exhibition fees	<u>79,091</u>	<u>-</u>
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All other payables are current.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 13: Equity

Note 13A: Analysis of Equity

Item	Accumulated Results		Asset Revaluation Reserve		Total Contributed Equity			TOTAL EQUITY	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003	2004 \$	2003 \$	2004 \$
Opening balance as at 1 July	259,231,023	255,290,543	8,504,364	1,317,294	1,971,000	-	269,706,387	256,607,837	
Net surplus/deficit	764,754	32,173,480	-	-	-	-	764,754	32,173,480	
Net revaluation increment/decrement	n/a	n/a	-	2,187,070	n/a	n/a	-	2,187,070	
Increase (decrease) in accumulated results on application of transitional provisions in accounting standard AASB 1041 <i>Revaluation of Non-Current Assets</i>	-	-	-	-	-	-	-	-	
Transactions with owner:									
Distributions to owner:									
Returns on Capital:									
Dividends	-	-	-	-	-	-	-	-	
Capital charge	-	(28,233,000)	-	-	-	-	-	(28,233,000)	
Returns of Capital:									
Resourcing	-	-	-	-	-	-	-	-	
Returns of contributed equity	-	-	-	-	-	-	-	-	
Contributions by owner:									
Appropriations (equity injections):	-	-	-	-	50,000	1,971,000	50,000	1,971,000	
Restructuring	-	-	-	-	-	-	-	-	
Transfers to/(from) between reserves									
Closing balance as at 30 June	259,995,778	259,231,023	8,504,364	8,504,364	2,021,000	1,971,000	270,521,142	269,706,387	
Less: outside equity interests									
Total equity attributable to the Australian Government	259,995,778	259,231,023	8,504,364	8,504,364	2,021,000	1,971,000	270,521,142	269,706,387	

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004 \$	2003 \$
Note 14: Cash Flow Reconciliation		
<u>Note 14A: Reconciliation of Operating Surplus to Net Cash from Operating Activities:</u>		
Reconciliation of operating surplus to net cash from operating activities:		
Operating surplus before extraordinary items	764,754	32,173,480
<i>Non-Cash Items</i>		
Depreciation and amortisation	7,837,440	8,200,433
Net write down of non-current assets	380,477	-
National Historical Collection - gifts and donations	(63,300)	(62,085)
<i>Changes in Assets and Liabilities</i>		
(Increase)/decrease in receivables	(3,080)	(545,411)
(Increase)/decrease in inventories	100,616	(158,532)
(Increase)/decrease in other financial assets	(1,261,257)	56,688
Increase/(decrease) in employee provisions	179,044	693,636
Increase/(decrease) in supplier payables	(237,643)	(50,026)
Increase/(decrease) in other payables	79,091	-
Net cash from/(used by) by operating activities	<u>7,776,142</u>	<u>40,308,184</u>

Note 14B: Reconciliation of Cash

Cash balance comprises:		
Cash at bank	3,246,065	2,701,521
Cash on hand	24,164	24,039
Total cash	<u>3,270,229</u>	<u>2,725,560</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows	<u>3,270,229</u>	<u>2,725,560</u>

Cash

Temporarily surplus funds, mainly from fortnightly drawdowns of appropriations, are placed on deposit at call with the Museum's banker. Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end.

Note 14C: Non-Cash Financing and Investing Activities

Assets received free of charge	<u>63,300</u>	<u>62,085</u>
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NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$
Note 15: Contingent Liabilities and Assets		
Contingent liabilities		
Claims for damages and costs	-	-
Indemnities	-	-
<i>Total contingent liabilities</i>	-	-

Unquantifiable Contingencies

At 30 June 2004, the Museum was involved in a legal claim relating to a workplace injury purported to have occurred to a contractors employee. The Museum has denied liability and is defending the claims. Any successful claim is likely to be met by the Museums insurer, Comcover.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$
Note 16: Remuneration of Council Members		
The number of council members of the Museum included in these figures are shown below in the relevant remuneration bands:		
\$ Nil - \$ 9999	7	2
\$ 10,000 - \$ 19,999	5	6
\$ 20,000 - \$ 29,999	<u>1</u>	<u>1</u>
Total number of council members of the Museum	<u>13</u>	<u>9</u>
	<u>\$</u>	<u>\$</u>
Aggregate amount of superannuation payments in connection with the retirement of council members	-	-
Other remuneration received or due and receivable by council members of the Museum	<u>120,122</u>	<u>100,471</u>
Total remuneration received or due and receivable by council members of the Museum	<u>120,122</u>	<u>100,471</u>

The remuneration of Council members includes all members concerned with or taking part in the management of the Museum during 2003-04, except the Director. Details in relation to the Director have been incorporated into Note 18: Officer Remuneration.

Note 17: Related Party Disclosures

Council Members of the Museum

The names of each person who has been a member of the Council during the year were:
(duration of appointment in brackets):

Chairman

The Hon. A Staley (22 September 2002 - 21 September 2005)

Members

Mr D Barnett - (27 March 2002 to 26 March 2005)

Mr C Pearson - (9 August 2002 to 8 August 2005)

Ms C Santamaria - (8 August 2002 to 7 August 2005)

Mr J Thame - (26 July 2001 to 23 July 2004)

Mr B Chow - (15 May 2003 - 14 May 2006)

Dr J Fleming - (27 August 2003 - 26 August 2006)

Dr J Hirst - (27 August 2003 - 26 August 2006)

Dr T Duncan - (20 November 2003 - 19 November 2006)

Ms S Hasluck - (19 February 2004 - 18 February 2007)

Executive Member

Mr Craddock Morton - (24 June 2004 to 23 June 2007)

Outgoing Members in 2003-04

Mr R Webb - (22 November 2000 to 21 November 2003)

Mr M Besen - (11 October 2000 to 10 October 2003)

Ms D Casey - (15 December 2002 to 14 December 2003)

Ms S Brown - (22 November 2000 to 21 November 2003)

Transactions with Council Members or their related entities

The aggregate remuneration of council members is disclosed in Note 16. Mr John Thame is also a member of the Board of St George 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. The Museum is not aware of any other council member related party transactions occurring during the year which would be required to be disclosed.

Loan from related entities

A loan was made during 2000-2001 by the Department of Communication, Information Technology and the Arts under agreed terms and conditions to the Museum for the acquisition of catering equipment and fitout.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 18: Remuneration of Officers

The number of officers who received or were due to receive total remuneration of \$100,000 or more:

	<u>Number</u>	<u>Number</u>
\$100,000 - \$109,999	1	-
\$110,000 - \$119,000	1	-
\$120,000 - \$129,999	-	-
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	2	1
\$150,000 - \$159,999	-	-
\$160,000 - \$169,999	-	3
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	-	-
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	-	-
\$210,000 - \$219,999	-	-
\$220,000 - \$229,999	-	-
\$230,000 - \$239,999	-	1
	<u>5</u>	<u>6</u>
	<u>\$</u>	<u>\$</u>
The aggregate amount of total remuneration of officers shown above:	<u>679,621</u>	<u>1,018,486</u>

No separation or redundancy payments were made to officers shown above during the year.

The officer remuneration includes all officers concerned with or taking part in the management of the Museum during 2003-04.

2004	2003
<u>\$</u>	<u>\$</u>

Note 19: Remuneration of Auditors

Remuneration to the Auditor-General for auditing the financial statements for the reporting period.

The fair value of services provided was:

<u>40,000</u>	<u>45,000</u>
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No other services were provided by the Auditor-General during the reporting period.

Note 20: Average Staffing Levels

The average staffing levels for the Museum during the year were:

<u>205</u>	<u>195</u>
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NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 21: Financial Instruments

Note 21A: Interest Rate Risk

Financial Instrument	Notes	Fixed Interest Rate					Non-Interest Bearing	Total	Weighted Average Effective Interest Rate
		Fixed Interest Rate							
		3 Year or Less	3 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years			
Financial Assets		\$	\$	\$	\$	\$	\$	%	
Current bank cash on hand	14B	3,004	5,403	1,004	3,003	2,004	3,003	3,004	3.00%
Receivables for goods and services (gross)	14B	-	-	-	-	-	34,039	2,701,521	4.53%
Interest receivable	14A	-	-	-	-	24,144	24,144	24,039	n/a
Term deposits	14A	-	12,820,315	-	-	283,669	4,93,016	261,469	n/a
Total	14A	3,246,065	12,820,315	-	-	338,114	27,930,317	30,545,865	5.17%
						538,949	49,183	28,075,483	
							279,432,438	279,432,438	
Financial Liabilities									
Non bank loan	14A	228,401	219,408	123,194	479,930	-	316,322	679,438	3.00%
Trade creditors	14A	-	-	-	-	316,302	316,302	316,302	n/a
Total		228,401	219,408	123,194	479,930	316,302	316,302	1,261,979	
Total Liabilities							4,101,244	4,119,239	

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 21B: Net Fair Values of Financial Assets and Liabilities

Note	2004		2003		
	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value	
	\$	\$	\$	\$	
Financial Assets					
Cash on hand	14B	3,246,065	3,246,065	2,701,521	2,701,521
Deposits on call	14B	24,164	24,164	24,039	24,039
Receivables for goods and services (net)	8A	223,346	223,346	429,616	429,616
Interest receivable	8A	229,116	229,116	-	-
Term deposit	8B	26,734,051	26,734,051	22,920,317	22,920,317
		30,456,742	30,456,742	26,075,493	26,075,493
Financial Liabilities					
Loans	10A	459,596	439,614	679,404	640,214
Trade Creditors	12A	326,302	326,302	582,575	582,575
		785,898	765,916	1,261,979	1,222,789

Financial Assets

The net fair values of cash, deposits on call and receivables approximate their carrying amounts.

The net fair value of the term deposit is based on discounted cash flows using current interest rates for assets with similar risk profiles.

None of the classes of financial assets are readily traded on organised markets in standardised form.

Financial Liabilities

The net fair value of the loan is based on discounted cash flows using current interest rates for liabilities with similar risk profiles.

The net fair values for trade creditors, which are short-term in nature, are approximated by their carrying amounts.

None of the classes of financial liabilities are readily traded on organised markets in standardised form.

Note 21C: Credit Risk Exposures

The Museum's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Museum has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 22: Appropriations

Particulars	Departmental Outputs		Loans		Equity		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Year ended 30 June 2004								
Balance carried forward from previous year								
Appropriation Acts 1 and 3	40,320	67,565			50	1,073	40,370	69,536
Appropriation Acts 2 and 4								
Available for payment from CRF	40,320	67,565			50	1,073	40,370	69,536
Payments made out of CRF	40,320	67,565			50	1,073	40,370	69,536
Balance carried forward to next year								
Represented by Appropriations Receivable								

This table reports on appropriations made by the Parliament of the Consolidated Reserve Fund (CRF) for payment to the Museum. When reviewed by the Museum, the payments made are legally the money of the Museum and do not represent any balance remaining in the CRF.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

	2004	2003
	\$	\$

Note 23: Assets Held in Trust

Purpose - the trust fund, set up under section 7 of the *National Museum of Australia Act 1980*, is for the receipt of monies or other property vested in the Museum on trust. Monies are applied in accordance with conditions, where specified, which mainly relate to the development of the National Historical Collection. These monies are not available for other purposes of the Museum and are not recognised in the financial statements.

Balance carried forward from previous year	65,246	62,756
Receipts during the year	-	-
Interest received	2,909	2,490
Available for payments	68,155	65,246
Payments made	-	-
<i>Balance carried forward to next year</i>	<u>68,155</u>	<u>65,246</u>

Note 24: 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 in the financial statements.

Balance carried forward from previous year	13,449	-
Receipts during the year	20,597	239,401
Interest received	1,069	257
Available for payments	35,115	239,658
Payments made	-	(226,209)
<i>Balance carried forward to next year</i>	<u>35,115</u>	<u>13,449</u>

Note 25: Reporting of Outcomes

Note 25A: Outcomes of the NMA

The Museum is structured to meet a single outcome, being: Australians have access to the National Museum's collections and public programs to encourage awareness and understanding of Australia's history and culture.

Two outputs are identified for the Outcome, comprising:

- Output 1.1: Collection development and Management
- Output 1.2: National Exhibitions, Programs and Services

NATIONAL MUSEUM OF AUSTRALIA

Notes To and Forming Part of the Financial Statements

Note 25B: Net Cost of Outcome Delivery

	Outcome 1		Total
	2004	2003	
	\$	\$	\$
Administered expenses	-	-	-
Departmental expenses	45,054,171	39,907,979	45,054,171
Total expenses	45,054,171	39,907,979	39,907,979
<i>Costs recovered from provision of goods and services to the non-government sector</i>			
Administered	-	-	-
Departmental	2,947,865	2,609,106	2,947,865
Total costs recovered	2,947,865	2,609,106	2,609,106
<i>Other external revenues</i>			
Departmental	-	-	-
Sale of goods and services - to related entities	-	-	-
Interest	1,835,119	1,192,328	1,835,119
Donation and bequests	83,898	301,486	83,898
Revenue from sale of assets	9,872	-	9,872
Industry contributions	-	-	-
Net foreign exchange gains	-	-	-
Other	622,172	413,539	622,172
Total Departmental	2,551,061	1,907,353	2,551,061
Total other external revenues	2,551,061	1,907,353	2,551,061
Net cost/(contribution) of outcome	39,555,245	35,391,520	39,555,245

The National Museum of Australia utilises cost drivers to determine the attribution of its shared items. This system is based on surveys of corporate activities and by use of actual costs and staff numbers where appropriate.

NATIONAL MUSEUM OF AUSTRALIA
Notes To and Forming Part of the Financial Statements

Note 25C: Departmental Revenues and Expenses by Output Groups and Outputs

	Outcome 1						Total	
	Output 1.1: Collection Development and Management		Output 1.2: National Exhibitions, Programs and Services				Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses								
Employees	2,088,823	1,919,850	12,216,990	11,277,319	14,305,813	13,197,169		
Suppliers	3,411,150	2,692,243	19,036,130	15,727,940	22,447,280	18,420,183		
Grants	-	-	116,207	63,410	116,207	63,410		
Borrowing cost expense	-	-	20,382	26,784	20,382	26,784		
Value of assets disposed	-	-	14,587	-	14,587	-		
Depreciation and amortisation	635,066	1,400,000	7,202,374	6,800,433	7,837,440	8,200,433		
Write-down of assets	-	-	312,462	-	312,462	-		
Total operating expenses	6,135,039	6,012,093	38,919,132	33,895,886	45,054,171	39,907,978		
Funded by:								
Revenues from Government	5,490,386	20,042,850	34,829,614	47,522,150	40,320,000	67,565,000		
Sale of goods and services	-	-	2,947,865	2,609,106	2,947,865	2,609,106		
Donations and Sponsorship	63,300	62,085	394,359	536,913	457,659	598,998		
Revenue from Sale of Assets	-	-	9,872	-	9,872	-		
Interest	587,238	298,082	1,247,881	894,246	1,835,119	1,192,328		
Other non-taxation revenues	-	-	248,411	116,027	248,411	116,027		
Total operating revenues	6,140,924	20,403,017	39,678,002	51,678,442	45,818,926	72,081,459		

The Museum's outcomes and outputs are described at Note 25A.

Facing image

Courage, 1996 by Judy Horacek

Pituri bag, south-west Queensland, about 1900, from Tangled Destinies photo: George Serras

Royal Tour 1953–1954 foldout booklet, Ms Daphne Mabbott collection, from Royal Romance photo: Dragi Markovic