



## **INDEPENDENT AUDIT REPORT**

**To the Minister for the Arts and Sport**

### **Matters relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements published in both the annual report and on the website of the National Museum of Australia for the year ended 30 June 2006. The Councillors are responsible for the integrity of both the annual report and the web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Museum's annual report.

### **Scope**

#### ***The financial statements and Council Members' responsibility***

The financial statements comprise:

- Statement by Directors and Chief Executive;
- Income Statement, Balance Sheet and Cash Flow Statement;
- Statement of Changes in Equity;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the National Museum of Australia for the year ended 30 June 2006.

The members of the Council are responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Museum, and that comply with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Accounting Standards and mandatory financial reporting requirements in Australia. The members of the Council are also responsible 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 statements.

### ***Audit Approach***

I have conducted an independent audit of the financial statements in order to express an opinion on them 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 statements are 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 audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Museum's financial position, and of its financial performance 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 statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Council.

### ***Independence***

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

**Audit 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*; and
- (b) give a true and fair view of the Museum's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
  - (i) the matters required by the Finance Minister's Orders; and
  - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Michael J. Watson

Group Executive Director

Delegate of the Auditor-General

Canberra

20 July 2006

**National Museum of Australia**

**STATEMENT BY DIRECTORS AND CHIEF EXECUTIVE**

In our opinion, the attached financial statements for the year ended 30 June 2006 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 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 Council members.



Tony Staley  
Chairman of Council  
19 July 2006

Marian Gibney  
Council member  
19 July 2006



Craddock Morton  
Director  
19 July 2006



Jeff Smart  
Chief Finance Officer  
19 July 2006

**NATIONAL MUSEUM OF AUSTRALIA**  
**INCOME STATEMENT**  
*for the year ended 30 June 2006*

	Notes	2006 \$'000	2005 \$'000
<b>INCOME</b>			
<i>Revenue</i>			
Revenues from Government	4A	39,784	40,132
Goods and Services	4B	2,015	2,155
Interest	4C	2,481	2,108
Other Revenues	4D	1,626	776
<b>Total Revenue</b>		<u>45,906</u>	<u>45,171</u>
<i>Gains</i>			
Reversal of previous asset write downs	4E	1	-
Net gains from disposal of assets	4F	13	-
<b>Total Gains</b>		<u>14</u>	<u>-</u>
<b>TOTAL INCOME</b>		<u>45,920</u>	<u>45,171</u>
<b>EXPENSES</b>			
Employees	5A	19,020	15,787
Suppliers	5B	19,713	17,856
Grants	5C	514	109
Depreciation and amortisation	5D	6,905	7,017
Finance Cost	5E	0	14
Write-down and impairment of assets	5F	169	285
Net losses from disposal of assets	5G	56	71
<b>TOTAL EXPENSES</b>		<u>46,377</u>	<u>41,139</u>
<b>OPERATING RESULT</b>		<u>(457)</u>	<u>4,032</u>

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

**NATIONAL MUSEUM OF AUSTRALIA**  
**BALANCE SHEET**  
*as at 30 June 2006*

	Notes	2006 \$'000	2005 \$'000
<b>ASSETS</b>			
<i>Financial Assets</i>			
Cash and cash equivalents	6A	820	787
Receivables	6B	2,009	1,474
Investments under s18 of the CAC Act	6C	37,436	35,972
<b>Total Financial Assets</b>		<b>40,265</b>	<b>38,233</b>
<i>Non-Financial Assets</i>			
Land and Buildings	7A	86,047	80,888
Plant and equipment	7B	39,593	40,629
Heritage and cultural assets	7C	186,354	133,662
Intangibles	7E	2,559	2,651
Inventories	7F	401	481
Other non-financial assets	7G	1,629	1,482
<b>Total Non-Financial Assets</b>		<b>316,583</b>	<b>259,793</b>
<b>TOTAL ASSETS</b>		<b>356,848</b>	<b>298,026</b>
<b>LIABILITIES</b>			
<i>Payables</i>			
Suppliers	8A	2,492	282
Other payables	8B	101	3
<b>Total payables</b>		<b>2,593</b>	<b>285</b>
<i>Provisions</i>			
Employee provisions	9A	4,136	3,374
<b>Total provisions</b>		<b>4,136</b>	<b>3,374</b>
<b>TOTAL LIABILITIES</b>		<b>6,729</b>	<b>3,659</b>
<b>NET ASSETS</b>		<b>350,119</b>	<b>294,367</b>
<b>EQUITY</b>			
Contributed equity		4,092	3,021
Reserves		82,456	27,318
Retained surpluses		263,571	264,028
<b>TOTAL EQUITY</b>		<b>350,119</b>	<b>294,367</b>
<b>Current assets</b>		<b>23,476</b>	<b>39,701</b>
<b>Non-current assets</b>		<b>333,372</b>	<b>258,325</b>
<b>Current liabilities</b>		<b>6,038</b>	<b>3,318</b>
<b>Non-current liabilities</b>		<b>691</b>	<b>341</b>

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 2006

	Notes	2006 \$'000	2005 \$'000
<b>Operating Activities</b>			
<i>Cash received</i>			
Goods and Services		2,438	2,419
Appropriations		39,784	40,132
Interest		980	675
Net GST received from ATO		2,366	1,660
Other		578	776
<b>Total cash received</b>		<b>46,146</b>	<b>45,662</b>
<i>Cash used</i>			
Employees		(18,258)	(15,052)
Suppliers		(21,062)	(21,162)
Grants		(514)	(173)
Financing costs		0	(14)
<b>Total cash used</b>		<b>(39,834)</b>	<b>(36,401)</b>
<b>Net cash from operating activities</b>	<b>10</b>	<b>6,312</b>	<b>9,261</b>
<b>Investing Activities</b>			
<i>Cash received</i>			
Investments - s18 CAC Act		35,353	18,677
Proceeds from disposal of property, plant and equipment		12	5
<b>Total cash received</b>		<b>35,365</b>	<b>18,682</b>
<i>Cash used</i>			
Purchases of property, plant and equipment		(3,914)	(1,753)
Purchases of intangibles		(799)	(394)
Investments - s18 CAC Act		(36,000)	(26,889)
Purchases of heritage and cultural items		(2,002)	(1,930)
<b>Total cash used</b>		<b>(42,715)</b>	<b>(30,966)</b>
<b>Net cash from/(used by) investing activities</b>		<b>(7,350)</b>	<b>(12,284)</b>
<b>Financing Activities</b>			
<i>Cash received</i>			
Capital injections		1,071	1,000
<b>Total cash received</b>		<b>1,071</b>	<b>1,000</b>
<i>Cash used</i>			
Repayments of debt		0	(460)
<b>Total cash used</b>		<b>0</b>	<b>(460)</b>
<b>Net cash from/(used by) financing activities</b>		<b>1,071</b>	<b>540</b>
<b>Net increase/(decrease) in cash held</b>		<b>33</b>	<b>(2,483)</b>
Cash at the beginning of the reporting period		787	3,270
<b>Cash at the end of the reporting period</b>	<b>6A</b>	<b>820</b>	<b>787</b>

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

NATIONAL MUSEUM OF AUSTRALIA  
STATEMENT of CHANGES in EQUITY  
for year ended 30 June 2006

	Accumulated Results		Asset Revaluation Reserve		Total Contributed Equity		TOTAL EQUITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Opening Balance</b>	264,028	259,996	27,318	22,517	3,021	2,021	294,367	284,534
Adjustment for errors	-	-	-	-	-	-	-	-
Adjustment for changes in Accounting Policies:	-	-	-	-	-	-	-	-
<b>Adjusted Opening Balance</b>	264,028	259,996	27,318	22,517	3,021	2,021	294,367	284,534
<b>Income and Expense</b>								
Revaluation adjustment	-	-	55,138	4,801	-	-	55,138	4,801
<b>Subtotal income and expenses recognised directly in equity</b>	-	-	55,138	4,801	-	-	55,138	4,801
Net Operating Result	(457)	4,032	-	-	-	-	(457)	4,032
<b>Total income and expenses</b>	(457)	4,032	55,138	4,801	-	-	54,681	8,833
<b>Transactions with Owners</b>								
<i>Distribution to owners</i>								
Dividends	-	-	-	-	-	-	-	-
Returns of Capital	-	-	-	-	-	-	-	-
<i>Contributions by Owners</i>								
Appropriation (equity injection)	-	-	-	-	1,071	1,000	1,071	1,000
<b>Sub-total Transactions with Owners</b>	-	-	-	-	1,071	1,000	1,071	1,000
<b>Transfers between equity components</b>								
	-	-	-	-	-	-	-	-
<b>Closing balance as at 30 June</b>	263,571	264,028	82,456	27,318	4,092	3,021	350,119	294,367

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



**NATIONAL MUSEUM OF AUSTRALIA**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2006*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Plant and equipment <sup>1</sup>	761	45
Land and buildings <sup>2</sup>	-	755
Intangibles <sup>1</sup>	145	267
<b>Total capital commitments</b>	<b>906</b>	1,067
<b>Other commitments</b>		
Operating leases <sup>3</sup>	4,751	6,123
Other commitments	7,535	4,008
<b>Total other commitments</b>	<b>12,286</b>	10,131
<b>Commitments receivable</b>	<b>(2,420)</b>	(1,176)
<b>Net commitments by type</b>	<b>10,772</b>	10,022
<b>BY MATURITY</b>		
<b>Capital commitments</b>		
One year or less	906	1,067
From one to five years	-	-
Over five years	-	-
<b>Total capital commitments</b>	<b>906</b>	1,067
<b>Operating lease commitments</b>		
One year or less	1,307	1,420
From one to five years	3,253	4,218
Over five years	191	485
<b>Total operating lease commitments</b>	<b>4,751</b>	6,123
<b>Other commitments</b>		
One year or less	3,399	2,482
From one to five years	4,136	1,526
Over five years	-	-
<b>Total other commitments</b>	<b>7,535</b>	4,008
<b>Commitments receivable</b>	<b>(2,420)</b>	(1,176)
<b>Net commitments by maturity</b>	<b>10,772</b>	10,022

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> Plant and equipment and intangibles commitments relate to computer hardware and software development and exhibition work.

<sup>2</sup> Building commitments relate to improvements being carried out on owned and leased properties

<sup>3</sup> 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 are subject to annual increase in accordance with movements in the Consumer Price Index. 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.

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

**NATIONAL MUSEUM OF AUSTRALIA  
SCHEDULE OF CONTINGENCIES**

*as at 30 June 2006*

	Notes	2006 \$'000	2005 \$'000
<b>Contingent liabilities</b>			
Claims for damages / costs		-	-
Indemnities		-	-
<b><i>Total contingent liabilities</i></b>		<u>-</u>	<u>-</u>
<b><i>Net contingent liabilities</i></b>		<u>-</u>	<u>-</u>

**Unquantifiable Contingencies**

As at 30 June 2006, the Museum was involved in three legal claims - two relating to workplace injuries purported to have occurred to contractor's employees and one to a Museum visitor.

The Museum has denied liability and is defending the claims. Any successful claims are likely to be met by the Museum's insurer, Comcover.

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 2006*

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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:	Income
Note 5:	Operating Expenses
Note 6:	Financial Assets
Note 7:	Non-Financial Assets
Note 8:	Payables
Note 9:	Provisions
Note 10:	Cash Flow Reconciliation
Note 11:	Remuneration of Council Members
Note 12:	Related Party Disclosures
Note 13:	Executive Remuneration
Note 14:	Remuneration of Auditors
Note 15:	Average Staffing Levels
Note 16:	Financial Instruments
Note 17:	Appropriations
Note 18:	Assets Held in Trust
Note 19:	Assets Held in the National Museum of Australia Fund
Note 20:	Compensation and Debt Relief
Note 21:	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 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 appropriations by Parliament for the National Museum of Australia's administration and programs.

The statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2005)*);
- Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period; and
- Interpretations issued by the AASB and Urgent Issues Group (UIG) that apply for the reporting period.

This is the first financial report to be prepared under the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impact of adopting AEIFRS is disclosed in Note 2.

The Income Statement, Balance Sheet and Statement of Changes in Equity 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 fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies which are disclosed in the financial statements).

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

**1.2 Significant Accounting Judgements and Estimates**

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

The fair value of Land and Buildings has been taken to be the market value of similar properties as determined by an independent valuer. The Museum's main building is purpose built and may in fact realise more or less in the market.

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

**1.3 Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include AEIFRS.

Australian Accounting Standards require the Museum to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective. The table below illustrates standards and amendments that will become effective for the Museum in the future.

The AASB has issued amendments to existing standards. These amendments are denoted by year and then number. For example, 2005-1 indicates amendments 1 issued in 2005.

The expected impact on the financial report of adoption of these standards is based on the Museum's initial assessment at this date, but may change. The Museum intends to adopt all of the standards upon their application date.

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

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<b>Title</b>	<b>Standard affected</b>	<b>Application date*</b>	<b>Nature of impending change</b>	<b>Impact expected on financial report</b>
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1 and AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common	No expected impact.
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1 Jan 2006	Amended standards in regards to financial guarantee contracts.	No expected impact.
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1 Jan 2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact.
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated	No expected impact.
	AASB7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB132 requirements.	No expected impact.

\* Application date is for annual reporting periods beginning on or after the date shown.

#### 1.4 Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer
- The seller retains no managerial involvement nor effective control over the goods
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

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:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction will flow to the entity.

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 provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139.

##### *Revenues from Government - Output Appropriations*

Amounts appropriated for Departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are 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.

#### 1.5 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 Minister's Orders.

#### 1.6 Employee Benefits

##### *Benefits*

As required by the Finance Minister's Orders, the Museum has early adopted AASB 119 Employee Benefits as issued in December 2004. Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months 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.

All other employee benefit liabilities are measured as the present value of the 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 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 and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2006. The estimate of the present value of the liability takes into account attrition rates, pay increases through promotion and inflation.

#### *Superannuation*

Employees of the Museum are members of the Commonwealth Superannuation Scheme (CSS) or the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Commonwealth. 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.

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.

#### **1.7 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 lessor effectively retains substantially all such risks and benefits.

The Museum has no finance leases.

Operating lease payments, excluding contingent rent, are expensed on a straight line basis over the lease term, unless another systematic basis which is representative of the time pattern of the Museum's benefits.

#### **1.8 Finance Costs**

All finance costs are expensed as incurred.

#### **1.9 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.

#### **1.10 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.

#### **1.11 Financial Risk Management**

The museum's activities expose it to normal commercial financial risk. As a result of the nature of the Museum's business and internal and Australian Government policies, dealing with the management of financial risk, the Museum's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

### 1.12 Investments

Investments are initially measured at their fair value. After initial recognition, financial assets are to be measured at their fair values except for:

- a) loans and receivables which are measured at amortised cost using the effective interest method,
- b) held-to-maturity investments which are measured at amortised cost using the effective interest method, and
- c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

### 1.13 Derecognition of Financial Assets and Liabilities

As prescribed in the Finance Minister's Orders, the Museum has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

For the comparative year, financial assets were derecognised when the contractual right to receive cash no longer existed. Financial liabilities were derecognised when the contractual obligation to pay cash no longer existed.

### 1.14 Impairment of Financial Assets

As prescribed in the Finance Minister's Orders, the Museum has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are assessed for impairment at each balance date.

#### *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 provision account. The loss is recognised in the Income Statement.

#### *Comparative Year*

The above policies were not applied for the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

### 1.15 Interest Bearing Loans and Borrowings

Loans are carried at the balance yet to be repaid. Interest is expensed as it accrues.

### 1.16 Trade Creditors

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).

### 1.17 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.



### 1.18 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.

Assets donated to the Collections as part of the Cultural Gifts Program are recognised as assets and revenues when the Museum takes control of the assets and they can be reliably measured.

### 1.19 Property, Plant and Equipment (PPE)

#### *Collections*

Assets within the Collections consist of objects received and under assessment for inclusion in the National Historical Collection, objects approved and included in the National Historical Collection and library items.

#### *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).

Purchases of the Collections are recorded at cost. Items donated to the Collections under the Cultural Gifts Program are valued by an independent valuer. Other donated items are valued by professional staff with reference to relevant market information.

#### *Revaluations*

#### *Basis*

Land, building, plant and equipment and the Collections are carried at fair value being revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, as at reporting date from its fair value.

Fair value for each class of assets is determined as shown below.

<i>Asset class</i>	<i>Fair value measured at:</i>
Land	Market selling price
Buildings	Market selling price
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price
Collections	Market selling price

Assets that are surplus to requirements are measured at their net realisable value, however, as at 30 June 2006 the Museum held no surplus assets (30 June 2005: \$0).

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

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

#### *Depreciation*

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

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Depreciation rates (useful lives) 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:

	2006	2005
Buildings on freehold land	<b>100 years</b>	100 years
Leasehold improvements	<b>Lease term</b>	Lease term
Plant and equipment	<b>4-100 years</b>	4-100 years
Collections	<b>50 to 5000 years</b>	50 to 5000 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5D.

*Impairment of Non-Current Assets*

All assets were assessed for impairment at 30 June 2006. 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 Museum were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

**1.20 Intangibles**

The Museum's intangibles comprise purchased software, internally developed software and multimedia assets. 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 4 to 8 years (2004-05: 4 to 8 years).

All software assets were assessed for impairment as at 30 June 2006. None were found to be impaired.

**1.21 Inventories**

Inventories held for resale 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 follows:

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

Inventories held for distribution are valued at the lower of cost and current replacement cost.

**1.22 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.

**1.23 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.

**1.24 Insurance**

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

**1.25 Comparatives**

The classification of comparative figures has been changed where the change improves the understandability of the financial information.

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**Note 2: The Impact of the transition to AEIFRS from previous AGAAP**

There is no impact on the Income Statement for the transition to AEIFRS from the previous AGAAP.

There is no impact on the Balance Sheet for the transition to AEIFRS from the previous AGAAP.

There is no impact on the Cash Flow Statement for the transition to AEIFRS from the previous AGAAP.

There is an impact on the Changes in Equity Statement for the transition to AEIFRS from the previous AGAAP. The 30 June 2004 balance of the Asset Revaluation Reserve was increased by \$14,013,000 to reflect a revaluation effected 1 July 2004 that under AEIFRS is to be recorded in 2003-04 not 2004-05. This has no impact on the 30 June 2005 Asset Revaluation Reserve.

Apart from the asset revaluation reserve, there were no other material transactions that affected the transition to AEIFRS from AGAAP.

**Note 3: Events after the Reporting Date**

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

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

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Note 4: Income</b>		
<b><u>Revenues</u></b>		
<b>Note 4A: Revenues from Government</b>		
Appropriations for outputs	39,784	40,132
<b>Total revenues from government</b>	<b>39,784</b>	<b>40,132</b>
<b>Note 4B: Sale of Goods and Services</b>		
Goods	1,220	1,007
Services	795	1,148
<b>Total sales of goods and services</b>	<b>2,015</b>	<b>2,155</b>
Provision of goods to:		
Related entities	-	-
External entities	1,220	1,007
<b>Total sales of goods</b>	<b>1,220</b>	<b>1,007</b>
Rendering of services to:		
Related entities	-	-
External entities	795	1,148
<b>Total rendering of services</b>	<b>795</b>	<b>1,148</b>
<b>Note 4C: Interest</b>		
Interest on Deposits	2,481	2,108
	<b>2,481</b>	<b>2,108</b>
<b>Note 4D: Other Revenue</b>		
Donations and bequests	13	80
Donated Assets	1,101	169
Sponsorship and grants	512	527
<b>Total revenues from government</b>	<b>1,626</b>	<b>776</b>
<b><u>Gains</u></b>		
<b>Note 4E: Reversals of Previous Asset Write Downs</b>		
Reduced provision for doubtful debts	1	-
<b>Total reversals of previous asset write downs</b>	<b>1</b>	<b>-</b>
<b>Note 4F: Net Gains from Sale of Assets</b>		
Infrastructure, plant and equipment		
Proceeds from disposal	13	-
Net book value of assets disposed	-	-
<b>Net gain/(loss) from disposal of infrastructure, plant &amp; equipment</b>	<b>13</b>	<b>-</b>
Total proceeds from disposals	13	-
Total value of assets disposed and selling expenses	-	-
<b>Total net gain from disposal of assets</b>	<b>13</b>	<b>-</b>

**NATIONAL MUSEUM OF AUSTRALIA**  
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2006	2005
\$'000	\$'000

**Note 5: Operating Expenses**

Note 5A: Employee Expenses

Wages and Salaries	14,282	12,263
Superannuation	2,373	1,546
Leave and other entitlements	730	605
Other employee benefits	1,635	1,373
<b>Total employee expenses</b>	<b>19,020</b>	<b>15,787</b>

Note 5B: Supplier Expenses

Provision of goods - from related entities	-	-
Provision of goods - from external entities	2,987	2,861
Provision of services - from related entities	1,949	1,771
Provision of services - from external entities	13,324	11,612
Operating lease rentals	1,247	1,428
Workers compensation premiums	206	184
<b>Total supplier expenses</b>	<b>19,713</b>	<b>17,856</b>

Note 5C: Grant Expense

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

Grants to external entities	514	109
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Note 5D: Depreciation and Amortisation

Depreciation

Other infrastructure, plant and equipment	5,209	5,341
Buildings	878	801
<b>Total Depreciation</b>	<b>6,087</b>	<b>6,142</b>

Amortisation

Intangible - Computer Software	818	875
<b>Total depreciation and amortisation</b>	<b>6,905</b>	<b>7,017</b>

Depreciation expenses are \$54,381 higher than they would have been as a result of a review of useful lives of property, plant and equipment assets (lower in 2004-2005 \$950,730). Amortisation expenses are \$76,502 higher than they would have been as a result of a review of useful lives (lower in 2004-2005 \$247,897).

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	795	734
Leasehold improvements	83	67
Plant and equipment	4,566	4,698
Heritage and cultural assets	643	643
Software	818	875
<b>Total depreciation and amortisation</b>	<b>6,905</b>	<b>7,017</b>

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

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<u>Note 5E: Finance Costs</u>		
Loans	-	14
<b><i>Total finance cost expense</i></b>	<b>-</b>	<b>14</b>

Note 5F: Write-Down and Impairment of Assets

**Financial Assets**

Bad and doubtful debts expense	-	1
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**Non-financial assets**

Inventory Write-Off	<b>169</b>	284
<b><i>Total write-down of assets</i></b>	<b>169</b>	<b>285</b>

Note 5G: Net Loss from Disposal of Assets

Net book value of assets disposed	<b>56</b>	76
Proceeds from disposal	<b>0</b>	(5)
<b><i>Net loss from disposal of assets</i></b>	<b>56</b>	<b>71</b>

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	<b>2006</b>	2005
	<b>\$'000</b>	\$'000

**Note 6: Financial Assets**

Note 6A: Cash and cash Equivalents

Cash at bank	796	763
Cash on hand	24	24
<b>Total cash and cash equivalents</b>	<b>820</b>	<b>787</b>

Note 6B: Receivables

Goods and services	225	182
Less: Allowance for doubtful debts	-	(1)
Interest receivable	1,320	636
	<b>1,545</b>	817
GST receivable from the Australian Taxation Office	464	657
<b>Total receivables (net)</b>	<b>2,009</b>	<b>1,474</b>

Receivables is represented by:

Current	2,009	1,474
Non-current	-	-
<b>Total receivables (net)</b>	<b>2,009</b>	<b>1,474</b>

All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2005: 30 days)

Receivables (gross) are aged as follows:

Current	1,955	1,293
Overdue by:		
Less than 30 days	47	129
30 to 60 days	7	23
60 to 90 days	-	2
More than 90 days	-	28
<b>Total receivables (gross)</b>	<b>2,009</b>	<b>1,475</b>

The allowance for doubtful debts is aged as follows:

Current	-	-
Overdue by:		
Less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	-	1
<b>Total provision for doubtful debts</b>	<b>-</b>	<b>1</b>

Note 6C: Investments (section 18 CAC Act)

Term Deposits	37,436	30,695
Negotiable Certificates of Deposit	-	5,277
<b>Total investments</b>	<b>37,436</b>	<b>35,972</b>

Investments are with the Museum's bankers, and earn effective rates of interest of 5.62%, 5.66%, 5.67%, 5.69%, 5.70%, 5.73%, 5.74%, 5.76%, 5.80%, 5.81%, 5.83%, 5.87%, 5.90%, and 5.92% (2004-05: 5.62%, 5.67%, 5.69%, 5.70%, 5.73%, 5.80%, 5.83%, 5.90%, 5.91 and 5.92%) payable at the end of the term. Terms are all within 12 months except for one investment (\$18M) which matures in August 2007.



**NATIONAL MUSEUM OF AUSTRALIA**  
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	2006 \$'000	2005 \$'000
<b>Note 7: Non-Financial Assets</b>		
<u>Note 7A: Land and Buildings</u>		
<i>Freehold land</i>		
- at fair value	4,400	4,400
<b>Total freehold land</b>	<b>4,400</b>	<b>4,400</b>
<i>Buildings on freehold land</i>		
- at fair value	80,044	75,501
- Accumulated depreciation	-	-
<b>Total buildings on freehold land</b>	<b>80,044</b>	<b>75,501</b>
<i>Leasehold improvements</i>		
- at fair value	1,730	1,054
- Accumulated amortisation	(144)	(67)
- work in progress	17	-
<b>Total leasehold improvements</b>	<b>1,603</b>	<b>987</b>
<b>Total Land and Buildings (non-current)</b>	<b>86,047</b>	<b>80,888</b>
<u>Note 7B: Plant and Equipment</u>		
<b>Plant and equipment</b>		
- at fair value	48,171	45,038
- Accumulated depreciation	(9,071)	(4,575)
- work in progress	493	166
<b>Total Plant and Equipment (non-current)</b>	<b>39,593</b>	<b>40,629</b>
<u>Note 7C: Heritage and Cultural Assets</u>		
<b>Collections</b>		
- at fair value	186,354	135,251
- Accumulated depreciation	-	(1,589)
<b>Total Collections (non-current)</b>	<b>186,354</b>	<b>133,662</b>

Building assets were revalued to fair value as at 30 June 2006 on advice from Jones Lang LaSalle, based on an industry index.

Leasehold improvement and Plant and Equipment assets acquired prior to 1 July 2004 were revalued to fair value by independent valuers Rodney Hyman Asset Services Pty Ltd and Jones Lang LaSalle as at 1 July 2004. All leasehold improvement and Plant and Equipment assets were assessed as being fair value as at 30 June 2006

Collection assets held at 31 March 2006 were revalued as at 30 June 2006 to fair value by an independent valuer, Mr Simon Storey (Simon Storey Valuers). Acquisitions after 31 March 2006 are deemed to be at fair value as at 30 June 2006.

NATIONAL MUSEUM OF AUSTRALIA  
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Note 7D: Analysis of Property, Plant and Equipment

TABLE A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment

Item	Land \$'000	Buildings on Freehold Land \$'000	Buildings - Leasehold Improvements \$'000	Other Infrastructure, Plant & Equipment \$'000	Cultural & Heritage \$'000
As at 1 July 2005					
Gross book value	4,400	75,501	1,054	45,204	135,251
Accumulated depreciation/amortisation	n/a	0	(67)	(4,575)	(1,589)
Opening Net Book Value	4,400	75,501	987	40,629	133,662
Additions					
By purchase		432	732	3,553	2,002
By donation					1,101
Net revaluation increment/(decrement)					
Gross book value		4,111			48,000
Accumulated Depreciation/amortisation		795			2,232
Depreciation/amortisation expense		(795)	(83)	(4,566)	(643)
Recoverable amount write-downs					
Disposals					
From disposal of operations - Gross book value			(39)	(93)	
From disposal of operations - Accumulated Depreciation			6	70	
Other disposals					
As at 30 June 2006					
Gross book value	4,400	80,044	1,747	48,664	186,354
Accumulated depreciation/amortisation	n/a	0	(144)	(9,071)	0
Closing Net Book Value	4,400	80,044	1,603	39,593	186,354

There are no assets held under finance lease.

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

TABLE B: Property, Plant and Equipment under Construction

Item	Buildings on Freehold Land \$'000	Buildings - Leasehold Improvements \$'000	Other Infrastructure, Plant & Equipment \$'000	Collections	Intangibles	TOTAL \$'000
Gross Value as at 30 June 2006	-	17	493	-	452	962
Gross Value as at 30 June 2005	-	-	166	-	309	475

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

	2006	2005
	\$'000	\$'000

Note 7E: Intangible Assets

Computer software:		
Purchased software	8,606	8,023
Accumulated amortisation	(6,499)	(5,681)
- work in progress	452	309
<b>Total intangibles (non-current)</b>	<b>2,559</b>	<b>2,651</b>

**TABLE A: Reconciliation of the opening and closing balances of intangibles**

Item	Computer Software Purchased
	\$
<b>As at 1 July 2006</b>	
Gross book value	8,332
Accumulated depreciation/amortisation	(5,681)
<b>Opening Net book value</b>	<b>2,651</b>
<b>Additions</b>	
purchase	726
Depreciation/amortisation	(818)
<b>Disposals</b>	
from disposal of operations	
other disposals	
<b>As at 30 June 2006</b>	
Gross book value	9,058
Accumulated depreciation/amortisation	(6,499)
<b>Closing Net book value</b>	<b>2,559</b>

Note 7F: Inventories

Work in progress	35	80
Finished goods	366	401
<b>Inventories held for sale</b>	<b>401</b>	<b>481</b>

All departmental inventories are current assets.

Note 7G: Other Non-Financial Assets

Prepayments	660	363
Prepaid leasehold contribution	969	1,119
<b>Total other non-financial assets</b>	<b>1,629</b>	<b>1,482</b>
	Current	513
	Non-current	969
	<b>1,629</b>	<b>1,482</b>

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

	2006	2005
	\$'000	\$'000

**Note 8: Payables**

Note 8A: Suppliers

Trade Creditors	1,622	-
Accrued expenses	870	282
<b>Total supplier payables</b>	<b>2,492</b>	<b>282</b>

All supplier payables are current.

Settlement is usually made net 30 days.

Note 8B: Other Payables

Prepaid grant revenue	99	-
Prepaid other revenue	2	3
<b>Total other payables</b>	<b>101</b>	<b>3</b>

All other payables are current liabilities

**Note 9: Provisions**

Note 9A: Employee Provisions

Salaries and wages	124	59
Leave	3,993	3,308
Superannuation	19	7
<b>Aggregate employee entitlement liability</b>	<b>4,136</b>	<b>3,374</b>
Current	3,445	3,033
Non-current	691	341

**Note 10: Cash Flow Reconciliation**

Cash at year end per Statement of Cash Flows	820	787
Balance Sheet items comprising above cash:		
Financial Asset - Cash and cash equivalents	820	787

Reconciliation of Operating Surplus to Net Cash from Operating Activities:

**Reconciliation of operating result to net cash from operating activities:**

Operating result	(457)	-
Depreciation and amortisation	6,905	7,017
Net loss from disposal of assets	56	71
Net write down of assets	169	285
Gain of sale of assets	(13)	-
Collections - gifts and donations	(1,101)	(169)
Non-cash proceeds from investments	(817)	(1,026)
(Increase)/decrease in net receivables	(535)	(591)
(Increase)/decrease in inventories	(89)	(231)
(Increase)/decrease in other non-financial assets	(148)	(145)
Increase/(decrease) in employee provisions	762	138
Increase/(decrease) in supplier payables	1,482	(44)
Increase/(decrease) in other payables	98	(76)
<b>Net cash from/(used by) by operating activities</b>	<b>6,312</b>	<b>5,229</b>

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

	<u>2006</u>	<u>2005</u>
<b>Note 11: Remuneration of Council Members</b>		
The number of council members of the Museum included in these figures are shown below in the relevant remuneration bands:		
\$ Nil - \$14,999	9	10
\$ 15,000 - \$ 29,999	<u>1</u>	<u>1</u>
<b>Total number of council members of the Museum</b>	<u><u>10</u></u>	<u><u>11</u></u>

<b>Total remuneration received or due and receivable by council members of the Museum</b>	<u><u>121,057</u></u>	<u><u>128,961</u></u>
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The remuneration of Council members includes all members concerned with or taking part in the management of the Museum during 2005-06, except the Director. Details in relation to the Director have been incorporated into Note 13: Executive Remuneration.

**Note 12: 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 and 6 Oct 2005 to 5 Oct 2008)

**Members**

Mr D Barnett - (22 April 2005 to 21 April 2008)

Mr B Chow - (15 May 2003 - 14 May 2006 and 15 May 2006 to 14 May 2009 )

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

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

Ms M Gibney - (24 June 2004 - 23 June 2007)

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

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

Mr C Pearson - (9 August 2002 to 8 August 2005 and 6 Oct 2005 to 5 Oct 2008)

**Executive Member**

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

**Outgoing Members in 2004-05**

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

**Transactions with Council Members or their related entities**

The aggregate remuneration of council members is disclosed in Note 11. The Museum is not aware of 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 Communications, Information Technology and the Arts under agreed terms and conditions to the Museum for the acquisition of catering equipment and fitout. This loan was paid out during 2004-05.

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

	<u>2006</u>	<u>2005</u>
<b>Note 13: Executive Remuneration</b>		
The number of officers who received or were due to receive total remuneration of \$130,000 or more:		
\$160,000 - \$174,999	1	3
\$175,000 - \$189,999	2	-
\$265,000 - \$279,999	-	1
\$295,000 - \$304,999	1	-
	<u>4</u>	<u>4</u>

The aggregate amount of total remuneration of officers shown above: 837,203      774,458

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 2005-06.

**Note 14: Remuneration of Auditors**

The cost of financial statement audit services provided to the Museum were: 59,500      44,000

No other services were provided by the Auditor-General during the reporting period.

**Note 15: Average Staffing Levels**

The average staffing levels for the Museum during the year were: 254      213

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

Note 16: Financial Instruments

Note 16A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate					Non-Interest Bearing			Total		Weighted Average Effective Interest Rate			
		2006		1 Year or Less		1 to 5 Years		> 5 Years		2006		2005		2006		2005	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%	%	%
<b>Financial Assets</b>																	
Cash at bank	6A	796	763	-	-	-	-	-	-	-	24	24	763	796	4.95%	4.70%	n/a
Cash on hand	6A	-	-	-	-	-	-	-	-	24	24	24	24	24	n/a	n/a	n/a
Receivables for goods and services (gross)	6B	-	-	-	-	-	-	-	-	225	182	182	225	182	n/a	n/a	n/a
Interest receivable	6B	-	-	-	-	-	-	-	-	1,320	636	636	1,320	636	n/a	n/a	n/a
Investments	6C	-	-	19,436	35,972	18,000	-	-	-	1,320	636	-	37,436	35,972	5.79%	5.59%	5.59%
<b>Total</b>		<b>796</b>	<b>763</b>	<b>19,436</b>	<b>35,972</b>	<b>18,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,569</b>	<b>842</b>	<b>39,801</b>	<b>37,577</b>	<b>39,801</b>	<b>5.79%</b>	<b>5.59%</b>	<b>5.59%</b>
<b>Total Assets</b>												<b>356,848</b>	<b>298,026</b>				
<b>Financial Liabilities</b>																	
Trade creditors	8A	-	-	-	-	-	-	-	-	1,622	282	1,622	282	1,622	n/a	n/a	n/a
Accrued expenses	8A	-	-	-	-	-	-	-	-	870	282	870	282	870	n/a	n/a	n/a
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,492</b>	<b>282</b>	<b>2,492</b>	<b>282</b>	<b>2,492</b>			
<b>Total Liabilities</b>												<b>6,729</b>	<b>3,659</b>				



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Note 16B: Fair Values of Financial Assets and Liabilities

	Note	2006		2005	
		Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
<b>Financial Assets</b>					
Cash at Bank	6A	796	796	763	763
Cash on hand	6A	24	24	24	24
Receivables for goods and services (net)	6B	225	225	181	181
Interest receivable	6B	1,320	1,320	636	636
Investments	6C	37,436	37,436	35,972	35,972
<b>Total Financial Assets</b>		<b>39,801</b>	<b>39,801</b>	<b>37,576</b>	<b>37,576</b>
<b>Financial Liabilities (Recognised)</b>					
Trade Creditors	8A	1,622	1,622		
Accrued Expenses	8A	870	870	282	282
<b>Financial Liabilities (Recognised)</b>		<b>2,492</b>	<b>2,492</b>	<b>282</b>	<b>282</b>

*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 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 16C: 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 Balance Sheet.

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.

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Note 17: Appropriations

Particulars	Departmental Outputs		Loans		Equity		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Year ended 30 June</b>								
Balance carried forward from previous year	-	-	-	-	-	-	-	-
Appropriation Acts 1 and 3	39,784	40,132	-	-	-	-	39,784	40,132
Appropriation Acts 2 and 4	-	-	-	-	1,071	1,000	1,071	1,000
Available for payment from CRF	39,784	40,132	-	-	1,071	1,000	40,855	41,132
Payments made out of CRF	39,784	40,320	-	-	1,071	1,000	40,855	41,132
<b>Balance carried forward to next year</b>	-	-	-	-	-	-	-	-
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 received by the Museum, the payments made are legally the money of the Museum and do not represent any balance remaining in the CRF.

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	2006	2005
	\$'000	\$'000

**Note 18: 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. Monies held were transferred to the Museum operating account to fund National Historical Collection purchases, consistent with the original donor's wishes.

Balance carried forward from previous year	-	68
Receipts during the year	-	-
Interest received	-	1
Available for payments	-	69
Payments made	-	(69)
<b>Balance carried forward to next year</b>	<b>-</b>	<b>-</b>

**Note 19: 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	10	35
Receipts during the year	13	10
Interest received	-	-
Available for payments	23	45
Payments made	(23)	(35)
<b>Balance carried forward to next year</b>	<b>-</b>	<b>10</b>

**Note 20: Compensation and Debt Relief**

Compensation for detriment caused by defective administration	-	-
Waiver of Debts	-	-
Ex gratia Payments	-	-
Payments in special circumstances under S73 of the Public Service Act	-	-
	-	-

**Note 21: Reporting of Outcomes**

Note 21A: 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

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Note 21B: Net Cost of Outcome Delivery

	Outcome 1		Total
	2006 \$'000	2005 \$'000	
Administered expenses	-	-	-
Departmental expenses	46,377	41,144	41,144
<b>Total expenses</b>	<b>46,377</b>	<b>41,144</b>	<b>41,144</b>
<i>Costs recovered from provision of goods and services to the non-government sector</i>			
Administered	-	-	-
Departmental	2,015	2,155	2,155
<b>Total costs recovered</b>	<b>2,015</b>	<b>2,155</b>	<b>2,155</b>
<i>Other external revenues</i>			
Departmental			
Sale of goods and services - to related entities	-	-	-
Interest	2,481	2,108	2,108
Donation and bequests	1,114	249	249
Net gains from disposal of assets	13	5	5
Other	513	527	527
Total Departmental	4,121	2,889	2,889
<b>Total other external revenues</b>	<b>4,121</b>	<b>2,889</b>	<b>2,889</b>
<b>Net cost/(contribution) of outcome</b>	<b>40,241</b>	<b>36,100</b>	<b>40,241</b>

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.

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Note 21C: 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		2005 \$'000	2006 \$'000	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000			
<b>Operating expenses</b>							
Employees	3,395	2,509	15,625	12,681	19,020	15,190	
Suppliers	2,977	2,958	16,736	15,495	19,713	18,453	
Grants	-	-	514	109	514	109	
Finance Cost	-	-	-	14	-	14	
Net loss from assets disposed	-	-	56	71	56	71	
Depreciation and amortisation	957	965	5,948	6,052	6,905	7,017	
Write-down of assets	-	-	169	285	169	285	
<b>Total operating expenses</b>	<b>7,329</b>	<b>6,432</b>	<b>39,048</b>	<b>34,707</b>	<b>46,377</b>	<b>41,139</b>	
<b>Funded by:</b>							
Revenues from Government	6,095	6,274	33,689	33,858	39,784	40,132	
Sale of goods and services	-	-	2,015	2,155	2,015	2,155	
Donations and Sponsorship	1,101	169	525	437	1,626	606	
Interest	372	330	2,109	1,778	2,481	2,108	
Reversal from previous asset writedowns	-	-	1	-	1	-	
Other non-taxation revenues	-	-	13	170	13	170	
<b>Total operating revenues</b>	<b>7,568</b>	<b>6,773</b>	<b>38,352</b>	<b>38,398</b>	<b>45,920</b>	<b>45,171</b>	

The Museum's outcomes and outputs are described at Note 20A.