

**Part four:**  
**Audited financial  
statements**



The Rocks markets, Sydney, feature in a photograph taken for the Landmarks gallery.





## INDEPENDENT AUDITOR'S REPORT

To the Minister for the Arts

### Report on the Financial Statements

I have audited the accompanying financial statements of the National Museum of Australia for the year ended 30 June 2011, which comprise: a Statement by the Council, Director and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Asset Additions; and Notes to and forming part of the financial statements, including a Summary of Significant Accounting Policies and other explanatory information.

### *The Council Members' Responsibility for the Financial Statements*

The Council Members of the National Museum of Australia are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as the Council Members determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the National Museum of Australia's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Museum of Australia's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Council Members, as well as evaluating the overall presentation of the financial statements.



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

***Independence***

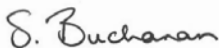
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***Opinion***

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the National Museum of Australia's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Serena Buchanan  
Audit Principal

Delegate of the Auditor-General

Canberra  
28 July 2011

**National Museum of Australia**

**STATEMENT BY THE COUNCIL, DIRECTOR AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the 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 the Council.



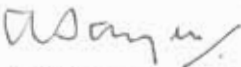
Daniel Gilbert AM  
Chair

28 July 2011



David Jones  
Chair Audit, Finance and Risk Committee

28 July 2011



Andrew Sayers AM  
Director

28 July 2011



Kylie Noonan CPA  
Chief Finance Officer

28 July 2011

**NATIONAL MUSEUM OF AUSTRALIA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2011*

	Notes	2011 \$'000	2010 \$'000
<b>EXPENSES</b>			
Employee benefits	<u>3A</u>	<b>22,852</b>	21,531
Supplier expenses	<u>3B</u>	<b>18,863</b>	20,568
Depreciation and amortisation	<u>3C</u>	<b>6,491</b>	6,919
Write-down and impairment of assets	<u>3D</u>	<b>85</b>	183
Other Expenses	<u>3E</u>	<b>130</b>	388
<b>Total expenses</b>		<b><u>48,421</u></b>	<u>49,589</u>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	<u>4A</u>	<b>3,087</b>	2,332
Interest	<u>4B</u>	<b>3,083</b>	2,663
Other revenue	<u>4C</u>	<b>1,130</b>	1,629
<b>Total own-source revenue</b>		<b><u>7,300</u></b>	<u>6,624</u>
<b>Gains</b>			
Donated assets	<u>4D</u>	<b>872</b>	538
Gains (losses) from asset sales	<u>4E</u>	<b>1</b>	(1)
<b>Total gains</b>		<b><u>873</u></b>	<u>537</u>
<b>Total own-source income</b>		<b><u>8,173</u></b>	<u>7,161</u>
<b>Net cost of services</b>		<b><u>40,248</u></b>	<u>42,428</u>
Revenue from Government	<u>4F</u>	<b>40,144</b>	40,182
<b>Deficit attributable to the Australian Government</b>		<b><u>(104)</u></b>	<u>(2,246)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves		<b>17,874</b>	6,700
<b>Total other comprehensive income before income tax</b>		<b><u>17,874</u></b>	<u>6,700</u>
<b>Total comprehensive income</b>		<b><u>17,770</u></b>	<u>4,454</u>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>		<b><u>17,770</u></b>	<u>4,454</u>

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

**NATIONAL MUSEUM OF AUSTRALIA****BALANCE SHEET***as at 30 June 2011*

	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	<u>5A</u>	2,177	2,246
Trade and other receivables	<u>5B</u>	1,832	1,698
Held-to-maturity investments	<u>5C</u>	40,923	45,777
<b>Total financial assets</b>		<u>44,932</u>	<u>49,721</u>
<b>Non-Financial Assets</b>			
Land and buildings	<u>6A</u>	100,507	93,376
Infrastructure, plant and equipment	<u>6B.C</u>	276,733	259,967
Intangibles	<u>6D.E</u>	2,136	2,044
Inventories	<u>6F</u>	578	401
Other	<u>6G</u>	1,094	1,143
<b>Total non-financial assets</b>		<u>381,048</u>	<u>356,931</u>
<b>Total assets</b>		<u>425,980</u>	<u>406,652</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	<u>7A</u>	1,935	2,160
Other	<u>7B</u>	1,572	1,690
<b>Total payables</b>		<u>3,507</u>	<u>3,850</u>
<b>Provisions</b>			
Employee provisions	<u>8A</u>	5,466	5,452
<b>Total provisions</b>		<u>5,466</u>	<u>5,452</u>
<b>Total liabilities</b>		<u>8,973</u>	<u>9,302</u>
<b>Net assets</b>		<u>417,007</u>	<u>397,350</u>
<b>EQUITY</b>			
Contributed equity		17,583	15,696
Reserves		134,378	116,504
Retained surplus		265,046	265,150
<b>Total equity</b>		<u>417,007</u>	<u>397,350</u>

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

**NATIONAL MUSEUM OF AUSTRALIA**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2011*

	Retained surpluses		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>								
Balance carried forward from previous period	265,150	267,396	116,504	109,804	15,696	13,833	397,350	391,033
<b>Adjusted opening balance</b>	<b>265,150</b>	<b>267,396</b>	<b>116,504</b>	<b>109,804</b>	<b>15,696</b>	<b>13,833</b>	<b>397,350</b>	<b>391,033</b>
<b>Comprehensive income</b>								
Other comprehensive income	-	-	17,874	6,700	-	-	17,874	6,700
Deficit for the period	(104)	(2,246)					(104)	(2,246)
<b>Total comprehensive income</b>	<b>(104)</b>	<b>(2,246)</b>	<b>17,874</b>	<b>6,700</b>	<b>-</b>	<b>-</b>	<b>17,770</b>	<b>4,454</b>
of which:								
Attributable to the Australian Government	(104)	(2,246)	17,874	6,700	-	-	17,770	4,454
<b>Transactions with owners</b>								
Contributions by owners	-	-	-	-	1,887	1,863	1,887	1,863
Equity injection	-	-	-	-	1,887	1,863	1,887	1,863
<b>Sub-total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,887</b>	<b>1,863</b>	<b>1,887</b>	<b>1,863</b>
<b>Closing balance attributable to the Australian Government</b>	<b>265,046</b>	<b>265,150</b>	<b>134,378</b>	<b>116,504</b>	<b>17,583</b>	<b>15,696</b>	<b>417,007</b>	<b>397,350</b>

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



**NATIONAL MUSEUM OF AUSTRALIA****CASH FLOW STATEMENT***for the period ended 30 June 2011*

	Notes	2011 \$'000	2010 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Receipts from Government		40,144	40,182
Goods and services		2,823	1,812
Interest		2,490	2,719
Net GST received		2,427	2,167
Other		1,070	662
<b>Total cash received</b>		<b>48,954</b>	<b>47,542</b>
<b>Cash used</b>			
Employees		(22,781)	(20,910)
Suppliers		(21,713)	(22,525)
Other		-	(388)
<b>Total cash used</b>		<b>(44,494)</b>	<b>(43,823)</b>
<b>Net cash from operating activities</b>	<u>9</u>	<b>4,460</b>	<b>3,719</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		1	4
Investments redeemed		38,086	36,008
<b>Total cash received</b>		<b>38,087</b>	<b>36,012</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		(10,953)	(6,641)
Purchase of intangibles		(547)	(297)
Investments deposited		(33,003)	(33,898)
<b>Total cash used</b>		<b>(44,503)</b>	<b>(40,836)</b>
<b>Net cash used by investing activities</b>		<b>(6,416)</b>	<b>(4,824)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity		1,887	1,863
<b>Total cash received</b>		<b>1,887</b>	<b>1,863</b>
<b>Cash used</b>			
Other		-	-
<b>Total cash used</b>		<b>-</b>	<b>-</b>
<b>Net cash from financing activities</b>		<b>1,887</b>	<b>1,863</b>
<b>Net (decrease) increase in cash held</b>		<b>(69)</b>	<b>758</b>
Cash and cash equivalents at the beginning of the reporting period		2,246	1,488
<b>Cash and cash equivalents at the end of the reporting period</b>	<u>5A</u>	<b>2,177</b>	<b>2,246</b>

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

**NATIONAL MUSEUM OF AUSTRALIA**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2011*

	2011	2010
	\$'000	\$'000
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Net GST recoverable on commitments	(1,209)	(1,178)
Other Receivables	(426)	(392)
<b>Total commitments receivable</b>	<u>(1,635)</u>	<u>(1,570)</u>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Property, plant and equipment <sup>1</sup>	1,824	728
<b>Total capital commitments</b>	<u>1,824</u>	<u>728</u>
<b>Other commitments</b>		
Operating leases <sup>2</sup>	5,044	6,846
Other <sup>3</sup>	6,426	5,772
<b>Total other commitments</b>	<u>11,470</u>	<u>12,618</u>
<b>Total commitments payable</b>	<u>13,294</u>	<u>13,346</u>
<b>Net commitments by type</b>	<u>11,659</u>	<u>11,776</u>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
One year or less	(1,020)	(961)
From one to five years	(615)	(609)
Over five years	-	-
<b>Total commitments receivable</b>	<u>(1,635)</u>	<u>(1,570)</u>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	1,824	640
From one to five years	-	88
Over five years	-	-
<b>Total capital commitments</b>	<u>1,824</u>	<u>728</u>
<b>Operating lease commitments</b>		
One year or less	1,834	1,952
From one to five years	3,210	4,894
<b>Total operating lease commitments</b>	<u>5,044</u>	<u>6,846</u>
<b>Other Commitments</b>		
One year or less	3,899	4,054
From one to five years	2,527	1,718
<b>Total other commitments</b>	<u>6,426</u>	<u>5,772</u>
<b>Total commitments payable</b>	<u>13,294</u>	<u>13,346</u>
<b>Net commitments by maturity</b>	<u>11,659</u>	<u>11,776</u>

Note: Commitments are GST inclusive where relevant.

<sup>1</sup> The nature of capital commitments are asset replacements

<sup>2</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 may be subject to annual increase in accordance with Lease terms and conditions. Increases are based on either movements in the Consumer Price Index or Market reviews. The office accommodation and warehouse leases may be renewed for periods up to five years at the Museum's option.
Motor vehicle leases	No contingent rentals exist. There are no purchase options available to the Museum.

<sup>3</sup> The nature of other commitments is the provision of ongoing services.

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

**NATIONAL MUSEUM OF AUSTRALIA  
SCHEDULE OF ASSET ADDITIONS**  
*for the period ended 30 June 2011*

**The following non-financial non-current assets were added in 2010-11:**

	Land	Buildings	Heritage & cultural	Other property, plant & equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Additions funded in the current year</b>						
By purchase						
- Government funding		183	1,243	9,782	555	11,763
- Other funding				33		33
Assets received as gifts/donations			872			872
<b>Total funded additions funded in the current year</b>		<b>183</b>	<b>2,115</b>	<b>9,815</b>	<b>555</b>	<b>12,668</b>
<b>Additions recognised in 2010-11 - to be funded in future years</b>						
Make-good						
Other						
<b>Total future years/unfunded additions</b>						
<b>Total additions</b>		<b>183</b>	<b>2,115</b>	<b>9,815</b>	<b>555</b>	<b>12,668</b>

**The following non-financial non-current assets were added in 2009-10:**

	Land	Buildings	Heritage & cultural	Other property, plant & equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Additions funded in the current year</b>						
By purchase - Government funding		307	2,224	4,584	299	7,414
Assets received as gifts/donations			538			538
<b>Total funded additions funded in the current year</b>		<b>307</b>	<b>2,762</b>	<b>4,584</b>	<b>299</b>	<b>7,952</b>
<b>Additions recognised in 2009-10 - to be funded in future years</b>						
Make-good						
Other						
<b>Total future years/unfunded additions</b>						
<b>Total additions</b>		<b>307</b>	<b>2,762</b>	<b>4,584</b>	<b>299</b>	<b>7,952</b>

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**  
*for the period ended 30 June 2011*

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## NATIONAL MUSEUM OF AUSTRALIA

### Notes to and forming part of the financial statements

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#### Note 1: Summary of Significant Accounting Policies

##### 1.1 Objective of the National Museum of Australia

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

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

The National Museum of Australia is structured to meet a single outcome:

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

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

##### 1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (or FMO) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

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

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

##### 1.3 Significant Accounting Judgements and Estimates

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

- The fair value of land has been taken to be the market value as determined by an independent valuer.
- The fair value of buildings has been taken to be the depreciated replacement cost as determined by an independent valuer.
- The fair value of heritage and cultural assets has been taken to be the market value of similar heritage and cultural assets.

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

## NATIONAL MUSEUM OF AUSTRALIA

### Notes to and forming part of the financial statements

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#### 1.4 New Australian Accounting Standards

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

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

New, revised or amended standards and interpretations that were issued prior to the signing of the statement by the Council, Director and Chief Finance Officer and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the National Museum of Australia.

##### Future Australian Accounting Standard Requirements

New, revised or amended standards and interpretations that were issued prior to the signing of the statement by the Council, Director and Chief Finance Officer and are applicable to the future reporting period are not expected to have a future financial impact on the National Museum of Australia.

#### 1.5 Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the National Museum of Australia retains no managerial involvement or 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 National Museum of Australia.

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

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

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

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

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Other revenue includes revenue from donations, sponsorships and grants:

- Donations recognised at the time of receipt are measured at the nominal amount of the contribution received.
- Recognition policy in relation to sponsorship and grants is dependent on the substance of the agreement. Where the agreement is classified as non-reciprocal, revenue is recognised at the inception of the agreement. Where the agreement involves elements of reciprocity, the revenue is recognised based on policy in relation to rendering of services revenue.

##### Revenue from Government

Funding received or receivable from the Department of Prime Minister and Cabinet (appropriated to the Department of Prime Minister and Cabinet as a CAC Act body payment item for payment to the National Museum of Australia) is recognised as Revenue from Government unless it is in the nature of an equity injection or a loan.

#### 1.6 Gains

##### Donated Assets

In the ordinary course of business the National Museum of Australia may receive assets at no consideration. The assets are recognised and measured at their fair value. A gain is recognised equal to the difference between the fair value and the consideration paid.



## **NATIONAL MUSEUM OF AUSTRALIA**

### **Notes to and forming part of the financial statements**

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#### **Sale of Assets**

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

#### **1.7 Transactions with the Government as Owner**

##### **Equity Injections**

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

#### **1.8 Employee Benefits**

Liabilities for short-term employee benefits (as defined in *AASB 119 Employee Entitlements*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

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

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

##### **Leave**

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

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

The liability for long service leave has been determined in accordance with the shorthand method. Variables applied in the use of the shorthand method are provided by the Department of Finance and Deregulation.

##### **Separation and Redundancy**

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

##### **Superannuation**

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

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The National Museum of Australia makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of the National Museum of Australia's employees. The National Museum of Australia accounts for the contributions as if they were contributions to defined contribution plans.

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

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

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### **1.9 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

### **1.10 Borrowing Costs**

All borrowing costs are expensed as incurred.

### **1.11 Cash**

Cash and cash equivalents includes cash on hand and demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

### **1.12 Financial Assets**

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

- held-to-maturity investments;
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon trade date.

#### Effective Interest Method

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

Income is recognised on an effective interest rate basis.

#### Held-to-Maturity Investments

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

#### Loans and Receivables

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

#### Impairment of Financial Assets

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

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

## NATIONAL MUSEUM OF AUSTRALIA

### Notes to and forming part of the financial statements

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#### 1.13 Financial Liabilities

Financial liabilities are classified other financial liabilities and are recognised and derecognised upon trade date.

##### Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

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

#### 1.14 Contingent Liabilities and Contingent Assets

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

The National Museum of Australia had no quantifiable, unquantifiable or significant remote contingencies in 2010-11 or 2009-10.

#### 1.15 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

#### 1.16 Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of 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 National Museum of Australia's accounts immediately prior to the restructuring.

#### 1.17 Property, Plant and Equipment

##### Asset Recognition Threshold

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

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

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

**Revaluations**

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

<i>Asset Class</i>	<i>Fair value measured at</i>
Land	Market selling price
Buildings	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price
Heritage and cultural assets	Market selling price

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

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

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

**Depreciation**

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

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

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

	<b>2011</b>	<b>2010</b>
Buildings on freehold land	<b>100 years</b>	100 years
Leasehold improvements	<b>Lease term</b>	Lease term
Plant and Equipment	<b>4 to 100 years</b>	4 to 100 years
Heritage and cultural assets	<b>50 to 5,000 years</b>	50 to 5,000 years

**Impairment**

All assets were assessed for impairment at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

**Derecognition**

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

## NATIONAL MUSEUM OF AUSTRALIA

### Notes to and forming part of the financial statements

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#### Heritage and cultural assets

The National Museum of Australia collects, manages and displays cultural and heritage assets of Australian history. The collection is held in trust for the nation. The Museum collection represents three inter-related fields:

- Aboriginal and Torres Strait Islander cultures and histories;
- Australian history and society since 1788; and
- People's interaction with the Australian environment.

A key objective of the National Museum of Australia is the preservation of the collection. Details in relation to the National Museum of Australia's curatorial and preservation policies are posted on the National Museum of Australia's web site.

#### **1.18 Intangibles**

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the National Museum of Australia's software are 4 to 8 years (2009-10: 4 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2011.

#### **1.19 Inventories**

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

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

- finished goods and work-in-progress – cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

#### **1.20 Taxation / Competitive Neutrality**

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

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

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

### **Note 2: Events After the Reporting Period**

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

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

**Note 3: Expenses**

	2011	2010
	\$'000	\$'000
<b><u>Note 3A: Employee Benefits</u></b>		
Wages and salaries	16,662	16,598
Superannuation:		
Defined contribution plans	884	853
Defined benefit plans	1,852	2,026
Leave and other entitlements	2,283	2,028
Separation and redundancies	1,149	-
Other	22	26
<b>Total employee benefits</b>	<b>22,852</b>	<b>21,531</b>

**Note 3B: Suppliers Expenses**

<b>Goods and services</b>		
Cost of goods sold	984	680
Travel	657	716
IT services	2,367	2,367
Property services	6,176	6,235
Staff support costs	732	767
Professional services	1,469	2,347
Exhibitions	1,912	2,364
Collection management	296	281
Advertising & promotions	940	935
Other	961	1,554
<b>Total goods and services</b>	<b>16,494</b>	<b>18,246</b>

Goods and services are made up of:

Provision of goods – related entities	-	-
Provision of goods – external parties	3,057	2,991
Rendering of services – related entities	653	2,138
Rendering of services – external parties	12,784	13,117
<b>Total goods and services</b>	<b>16,494</b>	<b>18,246</b>

**Other supplier expenses**

Operating lease rentals – related entities:		
Minimum lease payments	429	394
Contingent rentals	-	-
Operating lease rentals – external parties:		
Minimum lease payments	1,567	1,093
Contingent rentals	81	364
Workers compensation expenses	292	471
<b>Total other supplier expenses</b>	<b>2,369</b>	<b>2,322</b>
<b>Total supplier expenses</b>	<b>18,863</b>	<b>20,568</b>

**Note 3C: Depreciation and Amortisation**

Depreciation:		
Infrastructure, plant and equipment	4,839	5,242
Buildings	1,189	1,186
<b>Total depreciation</b>	<b>6,028</b>	<b>6,428</b>

Amortisation:

Computer software - purchased	249	353
Intangibles - internally developed	214	138
<b>Total amortisation</b>	<b>463</b>	<b>491</b>
<b>Total depreciation and amortisation</b>	<b>6,491</b>	<b>6,919</b>



**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
<b><u>Note 3D: Write-Down and Impairment of Assets</u></b>		
Asset write-downs and impairments from:		
Impairment on financial instruments	1	5
Impairment of property, plant and equipment	61	-
Inventory Write Off	23	178
<b>Total write-down and impairment of assets</b>	<b>85</b>	183

**Note 3E: Other Expenses**

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

Subsidies	130	388
<b>Total other expenses</b>	<b>130</b>	388

**Note 3F: Operating Expenditure for Heritage and Cultural Assets (Collection Institutions Only)†**

Operating expenditure	6,591	5,454
<b>Total</b>	<b>6,591</b>	5,454

† Operating expenditure is contained in the statement of comprehensive income; however, it is not disclosed as a separate line item. It is merely a representation of expenditure relating to heritage and cultural assets.

**Note 4: Income**

**REVENUE**

**Note 4A: Sale of Goods and Rendering of Services**

Provision of goods - related entities	-	-
Provision of goods - external parties	1,950	1,254
Rendering of services - related entities	-	-
Rendering of services - external parties	1,137	1,078
<b>Total sale of goods and rendering of services</b>	<b>3,087</b>	2,332

**Note 4B: Interest**

Deposits	3,083	2,663
<b>Total interest</b>	<b>3,083</b>	2,663

**Note 4C: Other Revenue**

Donations and Bequests	7	26
Sponsorship and grants	1,123	1,603
<b>Total other revenue</b>	<b>1,130</b>	1,629

**GAINS**

**Note 4D: Donated Assets**

Donated Assets	872	538
<b>Total donated assets</b>	<b>872</b>	538

**NATIONAL MUSEUM OF AUSTRALIA****Notes to and forming part of the financial statements**

	2011 \$'000	2010 \$'000
<b>Note 4E: Gains (Losses) from Asset Sales</b>		
Property, plant and equipment:		
Proceeds from sale	1	4
Carrying value of assets sold	-	(5)
<b>Total gains (losses) from asset sales</b>	<b>1</b>	<b>(1)</b>

**Note 4F: Revenue from Government\***

Prime Minister and Cabinet		
CAC Act body payment item	40,144	40,182
<b>Total revenue from Government</b>	<b>40,144</b>	<b>40,182</b>

\* The National Museum of Australia received \$nil (2010: \$nil) under the Paid Parental Leave Scheme; these amounts were offset against the amounts paid to employees in the Statement of Comprehensive Income.

**Note 5: Financial Assets****Note 5A: Cash and Cash Equivalents**

Cash on hand or on deposit	2,177	2,246
<b>Total cash and cash equivalents</b>	<b>2,177</b>	<b>2,246</b>

**Note 5B: Trade and Other Receivables****Good and Services:**

Goods and services - related entities	134	-
Goods and services - external parties	321	368
<b>Total receivables for goods and services</b>	<b>455</b>	<b>368</b>

**Other receivables:**

GST receivable from the Australian Taxation Office	379	392
Interest	998	632
Other	-	306
<b>Total other receivables</b>	<b>1,377</b>	<b>1,330</b>
<b>Total trade and other receivables (gross)</b>	<b>1,832</b>	<b>1,698</b>

Receivables are expected to be recovered in:

No more than 12 months	1,832	1,698
<b>Total trade and other receivables (net)</b>	<b>1,832</b>	<b>1,698</b>

Receivables are aged as follows:

Not overdue	1,755	1,553
Overdue by:		
0 to 30 days	30	120
31 to 60 days	25	11
61 to 90 days	4	14
More than 90 days	18	-
<b>Total receivables (gross)</b>	<b>1,832</b>	<b>1,698</b>

**Note 5C: Held-to-Maturity Investments**

Deposits	40,923	45,777
<b>Total held-to-maturity investments</b>	<b>40,923</b>	<b>45,777</b>

Total held-to-maturity investments are expected to be recovered in:

No more than 12 months	40,923	45,777
<b>Total held-to-maturity investments</b>	<b>40,923</b>	<b>45,777</b>

Investments are with the National Museum of Australia's bankers and earn effective interest rates of 6.11%, 6.27%, 6.30%, 6.32%, 6.33%, 6.35% and 6.36% (2010: 5.90%, 6.00%, 6.30%, 6.35%, 6.37% and 6.47%), payable at the end of the term.

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

**Note 6: Non-Financial Assets**

	2011 \$'000	2010 \$'000
<b>Note 6A: Land and Buildings</b>		
Land:		
Land at fair value	6,141	6,141
<b>Total land</b>	<b>6,141</b>	<b>6,141</b>
Buildings on freehold land:		
Work in progress	-	-
Fair value	92,451	85,254
Accumulated depreciation	-	-
<b>Total buildings on freehold land</b>	<b>92,451</b>	<b>85,254</b>
Leasehold improvements:		
Fair value	2,410	2,227
Accumulated depreciation	(495)	(246)
<b>Total leasehold improvements</b>	<b>1,915</b>	<b>1,981</b>
<b>Total land and buildings</b>	<b>100,507</b>	<b>93,376</b>

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. On 30 June 2011, an independent valuer conducted the revaluations.

A revaluation increment of \$nil for land (2010: \$nil) and increments of \$8,136,903 for buildings on freehold land (2010: increment of \$15,241), and \$nil for leasehold improvements (2010: \$nil) were credited to the asset revaluation reserve by asset class and included in the equity section of the balance sheet; no decrements were expensed (2010: \$nil).

No indicators of impairment were found for land and buildings.

No land or buildings are expected to be sold within the next 12 months. One building is expected to be demolished as part of the extension to the Administration building.

**Note 6B: Infrastructure, Plant and Equipment**

Heritage and cultural:

The Museum collects historical material that relates to Aboriginal and Torres Strait Islander cultures and histories, Australian society and history since 1788 and people's interaction with the Australian environment

Fair value	230,753	219,855
Accumulated depreciation	-	-
<b>Total heritage and cultural</b>	<b>230,753</b>	<b>219,855</b>

Other infrastructure, plant and equipment:

Fair value	53,182	40,708
Accumulated depreciation	(7,994)	(4,122)
Work in progress	792	3,526
<b>Total other infrastructure, plant and equipment</b>	<b>45,980</b>	<b>40,112</b>
<b>Total infrastructure, plant and equipment</b>	<b>276,733</b>	<b>259,967</b>

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. On 30 June 2011, an independent valuer conducted the revaluations for heritage and cultural assets. All other assets were valued by an independent valuer on 30 June 2009 and assessed for fair value by management on 30 June 2011.

A revaluation increment of \$9,737,004 for heritage and cultural (2010: increment of \$6,684,486) and increment of \$nil for other infrastructure, plant and equipment (2010: \$nil) were credited to the asset revaluation reserve by asset class and included in the equity section of the balance sheet; no decrements were expensed (2010: \$nil).

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

**NATIONAL MUSEUM OF AUSTRALIA**  
Notes to and forming part of the financial statements

**Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2010-11)**

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Heritage and cultural** \$'000	Other infrastructure, plant & equipment \$'000	Total \$'000
<b>As at 1 July 2010</b>						
Gross book value	6,141	87,481	93,622	219,855	44,234	357,711
Accumulated depreciation and impairment	-	(246)	(246)	-	(4,122)	(4,368)
<b>Net book value 1 July 2010</b>	<b>6,141</b>	<b>87,235</b>	<b>93,376</b>	<b>219,855</b>	<b>40,112</b>	<b>353,343</b>
Additions*	-	183	183	2,115	9,815	12,113
Revaluations and impairments recognised in other comprehensive income	-	8,137	8,137	9,737	-	17,874
Impairment recognised in the operating result	-	-	-	-	(61)	(61)
Depreciation expense	-	(1,189)	(1,189)	(954)	(3,885)	(6,028)
Disposals:						
Gross book value	-	-	-	-	(14)	(14)
Accumulated depreciation and impairment	-	-	-	-	13	13
<b>Net book value 30 June 2011</b>	<b>6,141</b>	<b>94,366</b>	<b>100,507</b>	<b>230,753</b>	<b>45,980</b>	<b>377,240</b>
<b>Net book value as of 30 June 2011 represented by:</b>						
Gross book value	6,141	94,861	101,002	230,753	53,974	385,729
Accumulated depreciation and impairment	-	(495)	(495)	-	(7,994)	(8,489)
	<b>6,141</b>	<b>94,366</b>	<b>100,507</b>	<b>230,753</b>	<b>45,980</b>	<b>377,240</b>

\* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

\*\* Where land, buildings and other infrastructure, plant and equipment meet the definition of a heritage and cultural item, they must be disclosed in the heritage and cultural asset class.

**Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2009-10)**

	Land \$'000	Buildings \$'000	Total land and buildings \$'000	Heritage and cultural** \$'000	Other infrastructure, plant & equipment \$'000	Total \$'000
<b>As at 1 July 2009</b>						
Gross book value	6,141	88,099	94,240	212,254	39,851	346,345
Accumulated depreciation and impairment	-	-	-	(923)	-	(923)
<b>Net book value 1 July 2009</b>	<b>6,141</b>	<b>88,099</b>	<b>94,240</b>	<b>211,331</b>	<b>39,851</b>	<b>345,422</b>
Additions*	-	307	307	2,762	4,584	7,653
Revaluations and impairments recognised in other comprehensive income	-	15	15	6,685	-	6,700
Depreciation expense	-	(1,186)	(1,186)	(923)	(4,319)	(6,428)
Disposals:						
Other	-	-	-	-	(4)	(4)
<b>Net book value 30 June 2010</b>	<b>6,141</b>	<b>87,235</b>	<b>93,376</b>	<b>219,855</b>	<b>40,112</b>	<b>353,343</b>
<b>Net book value as of 30 June 2010 represented by:</b>						
Gross book value	6,141	87,481	93,622	219,855	44,234	357,711
Accumulated depreciation and impairment	-	(246)	(246)	-	(4,122)	(4,368)
	<b>6,141</b>	<b>87,235</b>	<b>93,376</b>	<b>219,855</b>	<b>40,112</b>	<b>353,343</b>

\* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

\*\* Where land, buildings and other infrastructure, plant and equipment meet the definition of a heritage and cultural item, they must be disclosed in the heritage and cultural asset class.

**NATIONAL MUSEUM OF AUSTRALIA****Notes to and forming part of the financial statements**

	2011 \$'000	2010 \$'000
<b>Note 6D: Intangibles</b>		
Computer software:		
Purchased - in use	10,038	9,662
Purchased - in progress	179	-
Accumulated amortisation	(9,255)	(9,006)
<b>Total computer software</b>	<b>962</b>	<b>656</b>
Other intangibles:		
Internally developed – in use	1,583	1,583
Accumulated amortisation	(409)	(195)
<b>Total other intangibles</b>	<b>1,174</b>	<b>1,388</b>
<b>Total intangibles</b>	<b>2,136</b>	<b>2,044</b>

No indicators of impairment were found for intangible assets.

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

**Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2010-11)**

	Computer software purchased \$'000	Other intangibles internally developed \$'000	Total \$'000
<b>As at 1 July 2010</b>			
Gross book value	9,662	1,583	11,245
Accumulated amortisation and impairment	(9,006)	(195)	(9,201)
<b>Net book value 1 July 2010</b>	<b>656</b>	<b>1,388</b>	<b>2,044</b>
Additions*	555	-	555
Amortisation	(249)	(214)	(463)
<b>Net book value 30 June 2011</b>	<b>962</b>	<b>1,174</b>	<b>2,136</b>
<b>Net book value as of 30 June 2011 represented by:</b>			
Gross book value	10,217	1,583	11,800
Accumulated amortisation and impairment	(9,255)	(409)	(9,664)
	<b>962</b>	<b>1,174</b>	<b>2,136</b>

\* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

**Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2009-10)**

	Computer software purchased \$'000	Other intangibles internally developed \$'000	Total \$'000
<b>As at 1 July 2009</b>			
Gross book value	9,377	1,569	10,946
Accumulated amortisation and impairment	(8,652)	(58)	(8,710)
<b>Net book value 1 July 2009</b>	<b>725</b>	<b>1,511</b>	<b>2,236</b>
Additions*	285	14	299
Amortisation	(354)	(137)	(491)
<b>Net book value 30 June 2010</b>	<b>656</b>	<b>1,388</b>	<b>2,044</b>
<b>Net book value as of 30 June 2010 represented by:</b>			
Gross book value	9,662	1,583	11,245
Accumulated amortisation and impairment	(9,006)	(195)	(9,201)
	<b>656</b>	<b>1,388</b>	<b>2,044</b>

\* Disaggregated additions information are disclosed in the Schedule of Asset Additions.



**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
<b>Note 6F: Inventories</b>		
Inventories held for sale:		
Work in progress	4	32
Finished goods	574	369
<b>Total inventories held for sale</b>	<b>578</b>	401
<b>Total inventories</b>	<b>578</b>	401

During 2010-11, \$22,648 of inventory held for sale was recognised as an expense (2010: \$177,682).

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

All inventory is expected to be sold or distributed in the next 12 months.

**Note 6G: Other Non-Financial Assets**

Prepayments	888	774
Prepaid leasehold contribution	206	369
<b>Total other non-financial assets</b>	<b>1,094</b>	1,143

Total other non-financial assets - are expected to be recovered in:

No more than 12 months	1,038	924
More than 12 months	56	219
<b>Total other non-financial assets</b>	<b>1,094</b>	1,143

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

**Note 7: Payables**

**Note 7A: Suppliers**

Trade creditors and accruals	1,883	2,126
Operating lease rentals	52	34
<b>Total supplier payables</b>	<b>1,935</b>	2,160

Supplier payables expected to be settled within 12 months:

Related entities	-	53
External parties	1,935	2,107
<b>Total</b>	<b>1,935</b>	2,160
<b>Total supplier payables</b>	<b>1,935</b>	2,160

Settlement is usually made within 30 days.

**Note 7B: Other Payables**

Salaries and wages	426	386
Superannuation	90	71
Prepayments received/unearned income	1,056	1,233
<b>Total other payables</b>	<b>1,572</b>	1,690

Total other payables are expected to be settled in:

No more than 12 months	1,100	1,300
More than 12 months	472	390
<b>Total other payables</b>	<b>1,572</b>	1,690

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

	2011	2010
	\$'000	\$'000

**Note 8: Provisions**

**Note 8A: Employee Provisions**

Leave	<u>5,466</u>	<u>5,452</u>
<b>Total employee provisions</b>	<b><u>5,466</u></b>	<b><u>5,452</u></b>

Employee provisions are expected to be settled in:

No more than 12 months	2,440	1,466
More than 12 months	<u>3,026</u>	<u>3,986</u>
<b>Total employee provisions</b>	<b><u>5,466</u></b>	<b><u>5,452</u></b>

**Note 9: Cash Flow Reconciliation**

**Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement**

**Cash and cash equivalents as per:**

Cash flow statement	2,177	2,246
Balance sheet	<u>2,177</u>	<u>2,246</u>
<b>Difference</b>	<b><u>-</u></b>	<b><u>-</u></b>

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

Net cost of services	(40,248)	(42,428)
Add revenue from Government	40,144	40,182

**Adjustments for non-cash items**

Depreciation / amortisation	6,491	6,919
Net write down of non-financial assets	85	183
(Gain)/Loss on disposal of assets	(1)	1
Resources received free of charge - goods	(872)	(538)
Non Cash Investment Interest	(227)	(679)

**Changes in assets / liabilities**

(Increase) / decrease in net receivables	(134)	60
(Increase) / decrease in inventories	(200)	(59)
(Increase) / decrease in other non-financial assets	49	280
Increase / (decrease) in employee provisions	14	465
Increase / (decrease) in supplier payables	(523)	(551)
Increase / (decrease) in other payable	<u>(118)</u>	<u>(116)</u>
<b>Net cash from operating activities</b>	<b><u>4,460</u></b>	<b><u>3,719</u></b>

**NATIONAL MUSEUM OF AUSTRALIA****Notes to and forming part of the financial statements****Note 10: Council Members' Remuneration**

	2011 No.	2010 No.
The number of non-executive members of the Council of the National Museum of Australia included in these figures are shown below in the relevant remuneration bands:		
less than \$150,000	<u>9</u>	<u>12</u>
<b>Total</b>	<u>9</u>	<u>12</u>
Total remuneration received or due and receivable by non-executive members of the Council of the National Museum of Australia.	<u>\$ 137,506</u>	<u>\$ 137,224</u>

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

Remuneration of the executive member of the Council of the National Museum of Australia is included in Note 12: Senior Executive Remuneration.

**Note 11: Related Party Disclosures****Council Members of the National Museum of Australia**

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

**Chair**

Mr D Gilbert AM *27 March 2009 to 26 March 2012*

**Members**

Mr N Davie *7 September 2009 to 6 September 2012*  
 Prof R Frances *25 February 2010 to 24 February 2013*  
 Ms M Gibney *24 June 2003 to 26 August 2006 and  
 27 August 2006 to 21 August 2010*  
 Prof A Hull AO *12 December 2008 to 11 December 2011*  
 Mr D Jones *25 February 2010 to 24 February 2013*  
 Mr J Morse AM *28 November 2008 to 27 November 2011*  
 Dr B Piscitelli AM *17 July 2008 to 16 July 2011 and  
 17 July 2011 to 16 July 2014*  
 Mr P Yu *25 February 2010 to 24 February 2013*

**Executive Member**

Mr Andrew Sayers AM *14 April 2010 to 13 April 2015*

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

The aggregate remuneration of Council members is disclosed in Note 10.

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

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

## NATIONAL MUSEUM OF AUSTRALIA

## Notes to and forming part of the financial statements

## Note 12: Senior Executive Remuneration

## Note 12A: Senior Executive Remuneration Expense for the Reporting Period

	2011	2010
	\$	\$
Short-term employee benefits:		
Salary	481,839	702,118
Annual Leave accrued	15,391	16,019
Performance bonuses	40,969	176,926
Motor vehicle and other allowances	64,730	49,425
Total short-term employee benefits	<u>602,929</u>	<u>944,488</u>
Post-employment benefits:		
Superannuation	63,619	114,799
Total post-employment benefits	<u>63,619</u>	<u>114,799</u>
Other long-term benefits:		
Long-service leave	12,048	28,023
Total other long-term benefits	<u>12,048</u>	<u>28,023</u>
<b>Total</b>	<u>678,596</u>	<u>1,087,310</u>

## Notes:

- Note 12A was prepared on an accrual basis (so the performance bonus expenses disclosed above differ from the cash 'Bonus paid' in Note 12B).
- Note 12A excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.

## Note 12B: Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting Period

Fixed Elements and Bonus Paid <sup>1</sup>	as at 30 June 2011				
	Senior Executives No. <sup>2</sup>	Fixed elements			Bonus paid <sup>3</sup>
		Salary \$	Allowances \$	Total \$	
Total remuneration (including part-time arrangements):					
\$150,000 to \$179,999	2	155,905	20,807	176,712	30,193
\$180,000 to \$209,999	1	182,920	22,000	204,920	-
\$210,000 to \$239,999	1	198,164	22,000	220,164	-
\$240,000 to \$269,999	1	244,470	22,408	266,878	-
<b>Total</b>	<u>5</u>				

Fixed Elements and Bonus Paid <sup>1</sup>	as at 30 June 2010				
	Senior Executives No.	Fixed elements			Bonus paid <sup>3</sup>
		Salary \$	Allowances \$	Total \$	
Total remuneration (including part-time arrangements):					
\$150,000 to \$179,999	2	149,694	20,807	170,501	28,927
\$240,000 to \$269,999	1	234,782	22,408	257,190	-
<b>Total</b>	<u>3</u>				

## Notes:

- This table reports substantive senior executives who were employed by the National Museum of Australia at the end of the reporting period. Fixed elements were based on the employment agreement of each individual. Each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band (i.e. the 'Total' column).
- Two senior executives were on extended leave at the end of the reporting period.
- This represents average actual bonuses paid during the reporting period in that remuneration package band. The 'Bonus paid' was excluded from the 'Total' calculation (for the purpose of determining remuneration package bands). The 'Bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with, or leaving, the National Museum of Australia during the financial year.

## NATIONAL MUSEUM OF AUSTRALIA

### Notes to and forming part of the financial statements

#### Variable Elements:

With the exception of bonuses, variable elements were not included in the 'Fixed Elements and Bonus Paid' table above. The following variable elements were available as part of senior executives' remuneration package:

(a) Bonuses:

- Bonuses were based on the performance rating of each individual. The maximum bonus that an individual could receive was 15 per cent of his/her base salary.

(b) On average senior executives were entitled to the following leave entitlements:

- Annual Leave (AL): entitled to 21 days (2010: 20 days) each full year worked (pro-rata for part-time SES);
- Personal Leave (PL): entitled to 20 days (2010: 20 days) or part-time equivalent; and
- Long Service Leave (LSL): in accordance with *Long Service Leave (Commonwealth Employees) Act 1976*.

(c) Senior executives were members of one of the following superannuation funds:

- Commonwealth Superannuation Scheme (CSS): this scheme is closed to new members, and employer contributions averaged 20.2 per cent (2010: 22.5 per cent) (including productivity component). More information on CSS can be found at <http://www.css.gov.au>; and
- Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, with current employer contributions were set at 15.0 per cent (2010: 15.9 per cent) (including productivity component). More information on PSS can be found at <http://www.pss.gov.au>.

(d) Variable allowances:

- The Director of the National Museum of Australia is a Principal Executive Office (PEO) and is remunerated in accordance with Determination 2005/19 made under the *Remuneration Tribunal Act 1973*. This Determination sets out the terms and conditions (including remuneration and allowances) applying to the office. More information can be found at <http://www.remtribunal.gov.au>.
- Senior executives are also provided with a mobile phone, laptop, home-based broadband internet access and airline lounge membership.

(e) Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits through SG Fleet. Senior executives salary sacrificed superannuation and motor vehicles (2010: Superannuation).

#### **Note 12C: Other Highly Paid Staff**

During the reporting period, there were no employees whose salary plus performance bonus were \$150,000 or more (2010: Nil).

#### **Note 13: Remuneration of Auditors**

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
Remuneration to the Auditor-General for auditing the financial statements for the reporting period	<u>57</u>	<u>54</u>
	<u>57</u>	<u>54</u>

No other services were provided by the auditors of the financial statements.

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

**Note 14: Financial Instruments**

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
<b><u>Note 14A: Categories of Financial Instruments</u></b>		
<b>Financial Assets</b>		
Held-to-maturity:		
Term Deposits	<b>40,923</b>	45,777
<b>Total</b>	<b>40,923</b>	45,777
Loans and receivables:		
Cash and cash equivalents	<b>2,177</b>	2,246
Receivables for goods and services	<b>455</b>	368
Interest receivable	<b>998</b>	632
Other receivables	<b>-</b>	205
<b>Total</b>	<b>3,630</b>	3,451
<b>Carrying amount of financial assets</b>	<b>44,553</b>	49,228
<b>Financial Liabilities</b>		
At amortised cost:		
Supplier payables	<b>1,934</b>	2,160
<b>Total</b>	<b>1,934</b>	2,160
<b>Carrying amount of financial liabilities</b>	<b>1,934</b>	2,160
<b><u>Note 14B: Net Income and Expense from Financial Assets</u></b>		
<b>Held-to-maturity</b>		
Interest revenue	<b>2,750</b>	2,525
<b>Net gain held-to-maturity</b>	<b>2,750</b>	2,525
<b>Loans and receivables</b>		
Interest revenue	<b>333</b>	138
<b>Net gain loans and receivables</b>	<b>333</b>	138
<b>Net gain from financial assets</b>	<b>3,083</b>	2,663

The net income/expense from financial assets not at fair value from profit and loss is \$3,082,662 (2010: \$2,663,365).

**Note 14C: Fair Value of Financial Instruments**

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



**NATIONAL MUSEUM OF AUSTRALIA**

**Notes to and forming part of the financial statements**

**2011**      2010  
**\$'000**      \$'000

**Note 14D: Credit Risk**

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

**The following table illustrates the Museum's gross exposure to credit risk, excluding any collateral or credit enhancements.**

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	2,177	2,246
Investments	40,923	45,777
Trade and other receivables	1,453	1,205
<b>Total</b>	<b>44,553</b>	49,228
<b>Financial liabilities</b>		
Supplier payables	1,934	2,160
<b>Total</b>	<b>1,934</b>	2,160

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

	<b>Not past due nor impaired</b>	Not past due nor impaired	<b>Past due or impaired</b>	Past due or impaired
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Cash and cash equivalents	2,177	2,246	-	-
Investments	40,923	45,777	-	-
Trade and other receivables	1,376	1,060	77	145
<b>Total</b>	<b>44,476</b>	49,083	<b>77</b>	145

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

The ageing of financial assets that are past due but not impaired is equal to the ageing of receivable and is stated in Note 5B.

**NATIONAL MUSEUM OF AUSTRALIA****Notes to and forming part of the financial statements****Note 14E: Liquidity Risk**

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

**Maturities for non-derivative financial liabilities 2011**

	On demand \$'000	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Supplier payables	1,935	-	-	-	-	1,935
<b>Total</b>	<b>1,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,935</b>

**Maturities for non-derivative financial liabilities 2010**

	On demand \$'000	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Supplier payables	2,160	-	-	-	-	2,160
<b>Total</b>	<b>2,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,160</b>

The entity has no derivative financial liabilities in both the current and prior year.

**Note 14F: Market Risk**

The table below details the interest rate sensitivity analysis of the Museum at the reporting date holding other variables constant. A 175 basis point change is deemed to be reasonably possible and is used when reporting interest risk.

**Sensitivity analysis of the risk that the Museum is exposed to for 2011**

Risk variable	Change in risk variable %	Effect on	
		Profit and loss \$'000	Equity \$'000
Interest rate risk	Interest	1.75	716
Interest rate risk	Interest	(1.75)	(716)

**Sensitivity analysis of the risk that the entity is exposed to for 2010**

Risk variable	Change in risk variable %	Effect on	
		Profit and loss \$'000	Equity \$'000
Interest rate risk	Interest	1.50	687
Interest rate risk	Interest	(1.50)	(687)

The method used to arrive at the possible change of 175 basis points was based on cash rate for the past five years issued by the Reserve Bank of Australia (RBA) as the underlying dataset. This information is then revised and adjusted for reasonableness under the current economic circumstances.

**Note 15: Compensation and Debt Relief**

No payments were made during the reporting period (2010: nil).

**Note 16: 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.

	2011 \$'000	2010 \$'000
Total amount held at the beginning of the reporting period	-	-
Receipts	7	86
Payments	(7)	(86)
<b>Total amount held at the end of the reporting period</b>	<b>-</b>	<b>-</b>

**NATIONAL MUSEUM OF AUSTRALIA**  
**Notes to and forming part of the financial statements**

**Note 17: Reporting of Outcomes**

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

**Net Cost of Outcome Delivery**

	Outcome 1		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Expenses	48,421	49,590	48,421	49,590
<b>Income from non-government sector</b>				
Other	7,457	6,260	7,457	6,260
<b>Total</b>	<b>7,457</b>	<b>6,260</b>	<b>7,457</b>	<b>6,260</b>
<b>Other own-source income</b>	<b>716</b>	<b>902</b>	<b>716</b>	<b>902</b>
<b>Net cost of outcome delivery</b>	<b>40,248</b>	<b>42,428</b>	<b>40,248</b>	<b>42,428</b>

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

**Note 18: Comprehensive Income Attributable to the National Museum of Australia**

	2011 \$'000	2010 \$'000
<b>Total Comprehensive Income Attributable to the National Museum of Australia</b>		
Total comprehensive income attributable to the Australian Government <sup>1</sup>	17,770	4,454
Plus: non-appropriated expenses		
Depreciation and amortisation expenses	954	923
<b>Total Comprehensive Income Attributable to the National Museum of Australia</b>	<b>18,724</b>	<b>5,377</b>

1. As per the Statement of Comprehensive Income.

