

**Part four:
Audited financial
statements**



British Museum curator Thorsten Opper with VIP guests at the launch of *Rome: City and Empire*.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications, Cyber Safety and the Arts

Opinion

In my opinion, the financial statements of the National Museum of Australia ('the Entity') for the year ended 30 June 2019:

- comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Council, Chief Executive and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Council Members are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Council Members are also responsible for such internal control as the Council Members determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council Members are responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Council Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Mr Rahul Tejani
Audit Principal
Delegate of the Auditor-General

Canberra
19 August 2019

STATEMENT BY THE COUNCIL, CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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



David Jones
Chair

15 August 2019



Dr Mathew Trinca
Director

15 August 2019



Ian Campbell
Chief Finance Officer

15 August 2019

Statement of Comprehensive Income

for the period ended 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 | Original Budget 2019 \$'000 |
|---|-------|-----------------|-----------------|-----------------------------------|
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Employee Benefits | 1.1A | 23,728 | 23,272 | 20,521 |
| Suppliers | 1.1B | 22,442 | 19,390 | 22,209 |
| Depreciation and amortisation | 2.2A | 8,649 | 8,281 | 9,654 |
| Write-Down and Impairment | | 69 | 81 | - |
| Losses from asset sales | | - | 5 | - |
| Total expenses | | 54,888 | 51,029 | 52,384 |
| Own-Source Income | | | | |
| Own-source revenue | | | | |
| Sale of Goods and Rendering of Services | 1.2A | 7,255 | 5,562 | 5,051 |
| Interest | 1.2B | 1,033 | 1,065 | 1,234 |
| Other Revenue | 1.2C | 2,311 | 3,260 | 1,300 |
| Total own-source revenue | | 10,599 | 9,887 | 7,585 |
| Gains | | | | |
| Donated Assets | 1.2D | 211 | 226 | - |
| Total gains | | 211 | 226 | - |
| Total own-source income | | 10,810 | 10,113 | 7,585 |
| Net cost of services | | (44,078) | (40,916) | (44,799) |
| Revenue from Government | 1.2E | 43,564 | 43,044 | 43,564 |
| (Deficit)/Surplus attributable to the Australian Government | | (514) | 2,128 | (1,235) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Revaluation (decrements)/increments | | (13,527) | 5,766 | - |
| Total Other Comprehensive income | | (13,527) | 5,766 | (1,235) |

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

Budget Variances Commentary

The National Museum of Australia has a single Outcome that is reported in the Overview.

The original budget as presented in the 2018-19 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO) or the 2019-20 Budget.

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$300,000.

| | |
|---|--|
| Employee Benefits | Higher level of staffing than estimated for the establishment of shared services and activities to commemorate the voyage of James Cook. |
| Depreciation and amortisation | Values used to forecast budget depreciation varied as a result of timing and updates to the fair values used for actual expenses. |
| Sale of goods and rendering of services | Revenue from public programs and exhibitions exceeded estimates as a result of higher than estimated visitation; and increased revenue for shared services from providing additional services requested by partners during the year. |
| Other revenue | Other revenue includes donations, grant funding, sponsorships and other contributions not known when setting the budget. |
| Revaluation (decrements/increments) | Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process. |

Statement of Financial Position

as at 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 | Original Budget 2019 \$'000 |
|-----------------------------------|-------|----------------|----------------|-----------------------------------|
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and Cash Equivalents | 2.1A | 5,001 | 2,416 | 900 |
| Trade and Other Receivables | 2.1B | 959 | 2,605 | 1,413 |
| Other investments: Term deposits | | 27,000 | 34,000 | 34,823 |
| Total financial assets | | 32,960 | 39,021 | 37,136 |
| Non-financial assets | | | | |
| Land | 2.2A | 7,570 | 7,570 | 7,570 |
| Buildings | 2.2A | 85,831 | 84,920 | 93,730 |
| Heritage and cultural | 2.2A | 270,719 | 282,357 | 278,739 |
| Plant and equipment | 2.2A | 63,991 | 58,588 | 62,115 |
| Computer software | 2.2A | 2,171 | 2,378 | 1,081 |
| Other intangibles | 2.2A | 5,746 | 4,425 | 2,747 |
| Inventories | | 671 | 592 | 613 |
| Prepayments | | 579 | 529 | 496 |
| Total non-financial assets | | 437,278 | 441,359 | 447,091 |
| Total assets | | 470,238 | 480,380 | 484,227 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 2.3A | 2,932 | 1,333 | 2,239 |
| Other Payables | 2.3B | 1,088 | 1,027 | 551 |
| Total payables | | 4,020 | 2,360 | 2,790 |
| Provisions | | | | |
| Employee Provisions | 3.1A | 6,903 | 6,576 | 6,568 |
| Total provisions | | 6,903 | 6,576 | 6,568 |
| Total liabilities | | 10,923 | 8,936 | 9,358 |
| Net assets | | 459,315 | 471,444 | 474,869 |
| EQUITY | | | | |
| Contributed equity | | 33,122 | 31,210 | 33,122 |
| Reserves | | 165,181 | 178,708 | 185,043 |
| Retained surplus | | 261,012 | 261,526 | 256,704 |
| Total equity | | 459,315 | 471,444 | 474,869 |

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

Budget Variances Commentary

The original budget as presented in the 2018-19 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO) or the 2019-20 Budget.

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$700,000.

| | |
|---|--|
| Cash and Cash Equivalents/Other investments: Term deposits | Term deposits reduced to meet expected cash flow requirements for early 2019-20 for capital expenditure not anticipated when preparing the current year budget. |
| Buildings | Values used to forecast budget movement of capitalised expenditure varied as a result of timing and updates to the fair values used for actual expenses. |
| Heritage and Cultural | The Museum changed independent valuers in 2018-19. To value the Museum's collections, many of which are unique and do not have readily observable market comparisons, requires a series of estimates and judgements. Information on policy, estimates and judgements is included in Note 2.2. Changes in the assessed valuation of the collection is a non-cash item. |
| Computer software | Implementation of new business systems not identified at the time of budget development. |
| Other intangibles | Major intangible assets completed earlier than originally estimated and increases in number of digital assets created for exhibitions. |
| Suppliers | Actual results reflect outstanding invoices due for payment at year end. End of year outcomes fluctuate and an estimate is included in the budget. |
| Reserves | Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process. Heritage and cultural assets decreased in value following an independent valuation. Information on Museum policy, estimates and judgements is included in Note 2.2. |

Statement of Changes in Equity

for the period ended 30 June 2019

| | 2019 \$'000 | 2018 \$'000 | Original Budget 2019 \$'000 |
|---------------------------------------|-----------------|----------------|-----------------------------------|
| CONTRIBUTED EQUITY | | | |
| Opening balance | 31,210 | 29,289 | 31,210 |
| Equity injection | 1,912 | 1,921 | 1,912 |
| Total transactions with owners | 1,912 | 1,921 | 1,912 |
| Closing balance as at 30 June | 33,122 | 31,210 | 33,122 |
| RETAINED EARNINGS | | | |
| Opening balance | 261,526 | 259,398 | 257,939 |
| (Deficit)/Surplus for the period | (514) | 2,128 | (1,235) |
| Total comprehensive income | (514) | 2,128 | (1,235) |
| Closing balance as at 30 June | 261,012 | 261,526 | 256,704 |
| ASSET REVALUATION RESERVE | | | |
| Opening balance | 178,708 | 172,942 | 185,043 |
| Comprehensive income | | | |
| Revaluation (decrements)/increments | (13,527) | 5,766 | - |
| Total comprehensive income | (13,527) | 5,766 | - |
| Closing balance as at 30 June | 165,181 | 178,708 | 185,043 |
| TOTAL EQUITY | | | |
| Opening balance | 471,444 | 461,629 | 474,192 |
| Comprehensive income | | | |
| Surplus/(Deficit) for the period | (514) | 2,128 | (1,235) |
| Other comprehensive income | (13,527) | 5,766 | - |
| Total comprehensive income | (14,041) | 7,894 | (1,235) |
| Contributions by owners | | | |
| Equity injection | 1,912 | 1,921 | 1,912 |
| Total transactions with owners | 1,912 | 1,921 | 1,912 |
| Closing balance as at 30 June | 459,315 | 471,444 | 474,869 |

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

Accounting Policy

Equity Injections

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

Budget Variances Commentary

The original budget as presented in the 2018-19 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO) or the 2019-20 Budget.

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$200,000.

| Retained Earnings - surplus for the period | Refer to variance explanations in the Statement of Comprehensive Income |
|--|---|
| Reserves - Revaluation increments | The Museum changed independent valuers in 2018-19. To value the Museum's collections, many of which are unique and do not have readily observable market comparisons, requires a series of estimates and judgements. Information on policy, estimates and judgements is included in Note 2.2. Changes in the assessed valuation of the collection is a non-cash item. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process. |

Cash Flow Statement

for the period ended 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 | Original Budget 2019 \$'000 |
|---|-------|-----------------|----------------|-----------------------------------|
| OPERATING ACTIVITIES | | | | |
| Cash received | | | | |
| Receipts from Government | | 45,164 | 41,444 | 45,964 |
| Sale of goods and rendering of services | | 7,389 | 6,440 | 5,051 |
| Interest | | 733 | 1,246 | 1,234 |
| GST received | | 2,455 | 3,129 | 3,037 |
| Donations, sponsorships and grants | | 2,311 | 3,137 | 500 |
| Total cash received | | 58,052 | 55,396 | 55,786 |
| Cash used | | | | |
| Employees | | 23,320 | 23,327 | 20,324 |
| Suppliers | | 20,473 | 20,267 | 22,209 |
| GST paid | | 2,831 | 3,042 | 3,037 |
| Total cash used | | 46,624 | 46,636 | 45,570 |
| Net cash from/(used by) operating activities | | 11,428 | 8,760 | 10,216 |
| INVESTING ACTIVITIES | | | | |
| Cash received | | | | |
| Proceeds from sales of property, plant and equipment | | 2 | 17 | 816 |
| Term deposit redemptions | | 58,500 | 53,000 | - |
| Total cash received | | 58,502 | 53,017 | 816 |
| Cash used | | | | |
| Purchase of property, plant and equipment | | 17,757 | 15,182 | 12,944 |
| Term deposit investments | | 51,500 | 47,000 | - |
| Total cash used | | 69,257 | 62,182 | 12,944 |
| Net cash from/(used by) investing activities | | (10,755) | (9,165) | (12,128) |
| FINANCING ACTIVITIES | | | | |
| Cash received | | | | |
| Equity injections | | 1,912 | 1,921 | 1,912 |
| Total cash received | | 1,912 | 1,921 | 1,912 |
| Net cash from financing activities | | 1,912 | 1,921 | 1,912 |
| Net increase/(decrease) in cash held | | | | |
| Cash and cash equivalents at the beginning of the reporting period | | 2,416 | 900 | 900 |
| Cash and cash equivalents at the end of the reporting period | 2.1A | 5,001 | 2,416 | 900 |

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

Budget Variances Commentary

The original budget as presented in the 2018-19 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO) or the 2019-20 Budget.

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$200,000.

| | |
|--|--|
| Sale of goods and rendering of services | Revenue from public programs and exhibitions exceeded estimates as a result of higher than estimated visitation; and increased revenue for shared services from providing additional services requested by partners during the year. |
| Interest | Expenditure on property, plant and equipment was higher than estimated. This, combined with reduced interest earnings, resulted in lower balances in cash reserves that generated interest. |
| GST Received/paid | Budgeted taxable supplies included resourcing through contractors whereas actual resource increased employee resources. |
| Donations, sponsorships and grants | Donations, sponsorships and grant funding fluctuate in nature and not known when setting the budget. |
| Employees | Employees were engaged to deliver programs that were contracted services in the budget. |
| Term deposit investments/redemptions | Term deposits are redeemed at maturity and reinvested for various terms based on cash requirements and interest rates quoted at the time of investment. The fluctuating variables that determine investment decisions are not known when setting the budget. |
| Purchase of property, plant, equipment and intangibles | Variance is due to delays in major projects carried forward from the prior period. |

Overview

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

New Accounting Standards

All new, revised or amending standards or interpretations that were issued prior to the sign-off date and applicable for the current period were adopted and did not have a material effect on the National Museum of Australia's financial statements.

Taxation

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

Events After the Reporting Period

There are no events after the reporting period that will require disclosure in or materially affect the financial statements.

Financial Performance

This section analyses the financial performance of the Museum for the year ended 2019.

1.1 Expenses

| | 2019 \$'000 | 2018 \$'000 |
|--------------------------------|----------------|----------------|
| 1.1A: Employee Benefits | | |
| Wages and salaries | 17,552 | 16,554 |
| Superannuation | | |
| Defined contribution plans | 1,787 | 1,777 |
| Defined benefit plans | 1,886 | 1,814 |
| Leave and other entitlements | 2,361 | 2,244 |
| Separation and redundancies | 142 | 883 |
| Total employee benefits | 23,728 | 23,272 |

Accounting Policy

Accounting policies for employee related expenses are contained in the People and relationships section.

1.1B: Suppliers

Goods and services supplied or rendered

| | | |
|--|---------------|---------------|
| Cost of goods sold | 1,407 | 1,606 |
| Travel | 1,027 | 634 |
| IT service and communications | 2,354 | 1,457 |
| Property Services | 6,808 | 6,695 |
| Professional Services | 1,035 | 1,210 |
| Exhibitions and Collections Management | 2,475 | 1,828 |
| Staff support services | 1,454 | 975 |
| Promotions and consumables | 1,781 | 912 |
| Other | 1,460 | 1,374 |
| Remuneration to the Australian National Audit Office for audit of the financial statements | 60 | 57 |
| Total goods and services supplied or rendered | 19,861 | 16,748 |

| | | |
|--|---------------|---------------|
| Goods supplied | 5,950 | 5,493 |
| Services rendered | 13,911 | 11,255 |
| Total goods and services supplied or rendered | 19,861 | 16,748 |

Other suppliers

| | | |
|-------------------------------|---------------|---------------|
| Operating lease rentals | 2,085 | 2,096 |
| Workers compensation expenses | 496 | 546 |
| Total other suppliers | 2,581 | 2,642 |
| Total suppliers | 22,442 | 19,390 |

Leasing commitments

The National Museum of Australia in its capacity as lessor has lease arrangements for office accommodation, warehouse facilities and motor vehicles. Accommodation and warehouse leases are subject to annual increases subject to the terms of the lease agreement. Increases are based on movements in the Consumer Price Index or market reviews. All accommodation leases are due for renewal and under negotiation at the end of the reporting period.

No contingent lease or purchase options exist for motor vehicle leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | | |
|--|-----------|--------------|
| Within 1 year | 57 | 983 |
| Between 1 to 5 years | 16 | 65 |
| More than 5 years | - | - |
| Total operating lease commitments | 73 | 1,048 |

Financial Performance

This section analyses the financial performance of the Museum for the year ended 2019.

1.2 Own-Source Revenue and gains

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Own-Source Revenue | | |
| 1.2A: Sale of Goods and Rendering of Services | | |
| Sale of goods | 3,194 | 2,912 |
| Rendering of services | 4,061 | 2,650 |
| Total sale of goods and rendering of services | 7,255 | 5,562 |

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Museum retains no managerial involvement or effective control over the goods.

Revenue from rendering services is recognised by reference to the stage of completion of contracts at the reporting date. The stage of completion is determined by reference to services performed to date.

1.2B: Interest

| | | |
|-----------------------|--------------|--------------|
| Deposits | 1,033 | 1,065 |
| Total interest | 1,033 | 1,065 |

Accounting Policy

Interest revenue is recognised using the effective interest method.

1.2C: Other Revenue

| | | |
|----------------------------|--------------|--------------|
| Donations | 711 | 1,185 |
| Sponsorships | 935 | 122 |
| Grants | 665 | 1,953 |
| Total other revenue | 2,311 | 3,260 |

Accounting Policy

Cash received from donations and grants is recognised as revenue on receipt.

Cash received through sponsorship arrangements is recognised as revenue when performance obligations are met, provided the arrangement is considered reciprocal. All non-reciprocal arrangements are recognised when the Museum controls the asset.

Resources received free of charge through sponsorship arrangements are recognised as revenue when the resources are received, a fair value can be reliably determined, the services would have been purchased if they had not been provided free of charge and the arrangement is considered reciprocal. Use of those resources is recognised as an expense. All non-reciprocal arrangements are recognised when the Museum controls the asset.

Gains

1.2D: Donated Assets

| | | |
|--------------------------|------------|------------|
| Donated assets | 211 | 226 |
| Total other gains | 211 | 226 |

Accounting Policy

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

1.2E: Revenue from Government

| | | |
|--|---------------|---------------|
| Corporate Commonwealth entity payment item | 43,564 | 43,044 |
| Total revenue from Government | 43,564 | 43,044 |

Accounting Policy

Funding received or receivable from the Department of Communications and the Arts is recognised as Revenue from Government by the Museum unless the funding is in the nature of an equity injection or a loan.

Financial Position

This section analyses the Museum's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

2.1A: Cash and Cash Equivalents

| | | |
|--|--------------|--------------|
| Cash on hand or on deposit | 5,001 | 2,416 |
| Total cash and cash equivalents | 5,001 | 2,416 |

Accounting Policy

Cash is recognised at its nominal value. Cash and cash equivalents include:

- cash on hand, and
- demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change of value.

2.1B: Trade and Other Receivables

Goods and services receivables

| | | |
|---|------------|------------|
| Goods and services | 391 | 257 |
| Total goods and services receivables | 391 | 257 |

Other receivables

| | | |
|--|------------|--------------|
| Interest | 184 | 484 |
| Net GST receivable from the Australian Taxation Office | 384 | 264 |
| Corporate Commonwealth entity payment | - | 1,600 |
| Total other receivables | 568 | 2,348 |
| Total trade and other receivables (net) | 959 | 2,605 |

Credit terms for goods and services were within 30 days (2018: 30 days).

Accounting Policy

Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

AASB 9 replaces the 'incurred loss' model previously used under AASB 139 with an 'expected credit loss' (ECL) model. This new impairment model applies to all of the Museum's financial assets measured at amortised cost.

Financial assets at amortised cost are assessed for impairment at the end of each reporting period. The simplified approach has been adopted in measuring the impairment loss allowance at an amount equal to 12 months ECL. Detailed accounting policies for financial assets are provided at note 4.1.

Financial Position

This section analyses the Museum's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.2 Non-Financial Assets

| | Land \$'000 | Buildings \$'000 | Heritage and cultural ¹ \$'000 | Plant and equipment \$'000 | Computer Software purchased \$'000 | Other Intangibles \$'000 | Total \$'000 |
|---|----------------|---------------------|--|----------------------------------|---|--------------------------------|-----------------|
| As at 1 July 2018 | | | | | | | |
| Gross book value | 7,570 | 84,920 | 282,357 | 63,749 | 3,641 | 5,020 | 447,257 |
| Accumulated depreciation, amortisation and impairment | - | - | - | (5,161) | (1,263) | (595) | (7,019) |
| Total as at 1 July 2018 | 7,570 | 84,920 | 282,357 | 58,588 | 2,378 | 4,425 | 440,238 |
| Additions | | | | | | | |
| Purchase | - | 71 | 2,730 | 12,626 | 665 | - | 16,092 |
| Internally developed | - | - | - | - | - | 1,665 | 1,665 |
| Donation/Gift | - | - | 211 | - | - | - | 211 |
| Revaluations and impairments recognised in other comprehensive income | - | 1,919 | (13,386) | (2,060) | - | - | (13,527) |
| Depreciation and amortisation | - | (1,079) | (1,193) | (5,781) | (252) | (344) | (8,649) |
| Other movements | - | - | - | 606 | (606) | - | - |
| Transfer prior gross book value | - | - | - | 14 | (14) | - | - |
| Transfer prior accumulated depreciation | - | - | - | (2,424) | - | - | (2,424) |
| Disposals | - | - | - | 2,422 | - | - | 2,422 |
| Gross book value | - | - | - | - | - | - | - |
| Accumulated depreciation, amortisation and impairment | - | - | - | - | - | - | - |
| Total as at 30 June 2019 | 7,570 | 85,831 | 270,719 | 63,991 | 2,171 | 5,746 | 436,028 |
| Total as at 30 June 2019 represented by | | | | | | | |
| Gross book value | 7,570 | 85,831 | 270,719 | 72,497 | 3,700 | 6,685 | 447,002 |
| Accumulated depreciation, amortisation and impairment | - | (8,506) | - | (8,506) | (1,529) | (939) | (10,974) |
| Total as at 30 June 2019 | 7,570 | 85,831 | 270,719 | 63,991 | 2,171 | 5,746 | 436,028 |

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

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated on the following page. As at 30 June 2019, an independent valuer conducted the revaluations of heritage and cultural assets.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

The Museum has contractual commitments primarily for redevelopment of exhibition spaces, replacement of equipment and development of multimedia interactives. Capital commitments are payable as follows:

| | 2019 \$'000 | 2018 \$'000 |
|----------------------------------|----------------|----------------|
| Within 1 year | 5,272 | 11,637 |
| Between 1 to 5 years | - | 514 |
| More than 5 years | - | - |
| Total Capital Commitments | 5,272 | 12,151 |

Financial Position

This section analyses the Museum's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

Asset Recognition Threshold

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depend 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 reversed 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 Museum 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:

| | |
|------------------------------|----------------|
| Buildings on freehold land | 100 years |
| Leasehold improvements | Lease term |
| Plant and Equipment | 4-100 years |
| Heritage and Cultural assets | 50-5,000 years |

Impairment

All assets were assessed for impairment at 30 June 2019.

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Heritage and Cultural Assets

The Museum collects, manages and displays heritage and cultural assets of Australian history. The collection is held in trust for the nation.

A key objective of the Museum is preservation of the collection. Details in relation to the Museum's curatorial and preservation policies are posted on the Museum's website at: www.nma.gov.au/about_us/ips/policies/collection_care_and_preservation_policy.

Intangibles

The Museum's intangibles comprise internally developed software multimedia for internal use and digitising the collections. Digitised collections are carried at cost. All other intangibles are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the entity's software are four to eight years.

All intangible assets were assessed for indications of impairment as at 30 June 2019.

Financial Position

This section analyses the Museum's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

Accounting Judgements and Estimates

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

The fair value of buildings, leasehold improvements and other property, plant and equipment has been taken to be the depreciated replacement cost as assessed by independent valuers every three years. A management revaluation occurs when there is evidence of significant variation to prices.

The fair value of heritage and cultural assets is based on market observations. The Museum's collections are diverse with many objects being iconic with limited markets for comparison. The Museum appoints an independent valuer who has made significant estimates and judgements in determining the fair value of the collection including market observations and the impact of providence to the value of collection objects. A sampling methodology is adopted by the independent valuer with a sufficient sample of objects selected from each collection category in order to determine a statistically reliable sample population. Independent valuations are conducted every three years by a qualified valuer. Given the significant estimations involved in the valuation, variations in value may occur due to the methodology adopted by the valuer. In 2018-19, the Museum engaged AON Global Risk Consulting to conduct an independent valuation.

Accounting Policy

Intangibles

The Museum's intangibles comprise internally developed multimedia applications for internal use and digitising collections. Internally developed applications are carried at cost less accumulated amortisation and accumulated impairment losses. Digitised collections 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 are four to eight years (4 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2019.

Fair Value Measurement

Accounting Policy

The Museum procures valuation services from independent valuers every three years. The valuers provide written assurance to the Museum that the valuation is in compliance with AASB 13.

The significant unobservable input used in the fair value measurement of the Museum's land is the adjustment made to sales evidence to reflect the difference between unrestricted crown leasehold land and assets held by the Public Sector which may be affected due to political, social and economic restraints because it is in a public use zone or considered an iconic property that would be difficult to sell.

The significant unobservable inputs used in the fair value measurement of the Museum's buildings, leasehold improvements and other property, plant and equipment are relevant industry indices.

The significant unobservable inputs used in the fair value measurement of the Museum's heritage and cultural assets are private sales of similar artwork, antiques and collectables and professional appraisals of similar items, taking into account the provenance of particular items held by the Museum.

Financial Position

This section analyses the Museum's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.3 Payables

| | 2019 \$'000 | 2018 \$'000 |
|------------------------------|----------------|----------------|
| 2.3A: Suppliers | | |
| Trade creditors and accruals | 2,932 | 1,322 |
| Operating lease rentals | - | 11 |
| Total suppliers | 2,932 | 1,333 |

Settlement of trade creditors is usually made within 30 days

2.3B: Other Payables

| | | |
|-------------------------------------|--------------|--------------|
| Salaries and wages | 274 | 203 |
| Superannuation | 42 | 32 |
| Prepayments received/uneamed income | 772 | 792 |
| Total other payables | 1,088 | 1,027 |

Accounting Policy

The Museum's financial liabilities are trade and other creditors. Financial liabilities are initially recognised at fair value and subsequently at amortised cost. Financial liabilities are recognised and derecognised upon 'trade date'. Detailed accounting policies for supplier payables are further provided at note 4.1. Detailed accounting policies for salaries and wages and superannuation are provided at note 3.1A.

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.1 Employee Provisions

| | 2019 \$'000 | 2018 \$'000 |
|----------------------------------|----------------|----------------|
| 3.1A: Employee Provisions | | |
| Leave | 6,903 | 6,449 |
| Separations and redundancies | - | 127 |
| Total employee provisions | 6,903 | 6,576 |

Accounting policy

Liabilities for 'short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the 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 by reference to the short hand method as set out in Resource Management Guide 125, Commonwealth Entities Financial Statement Guide.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Museum 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

The Museum's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Museum makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Museum accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2019 and disclosed at note 2.3B, represents outstanding contributions.

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Museum, directly or indirectly. The Museum has determined the key management personnel to be Council members, the Director, Deputy Director and Assistant Directors. Key management personnel remuneration is reported in the table below:

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 1,418 | 1,310 |
| Post-employment benefits | 205 | 195 |
| Other long-term employee benefits | 178 | 159 |
| Termination benefits | - | - |
| Total key management personnel remuneration expenses¹ | 1,801 | 1,664 |

The total number of key management personnel that are included in the above table are five (2018: five) and part time Council Members twelve (2018: eleven).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Museum.

3.3 Related Party Disclosures

Related party relationships:

The Museum is an Australian Government controlled entity. Related parties to the Museum are the Key Management Personnel reported at 3.2, the Portfolio Minister and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, superannuation payments, receipt of grants, purchase of goods and services and provision of general Museum services.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the Museum, it has been determined that there are no related party transactions to be separately disclosed.

Managing uncertainties

This section analyses how the Museum manages financial risks within its operating environment.

4.1 Financial Instruments

| 2019 | 2018 |
|--------|--------|
| \$'000 | \$'000 |

4.1A: Categories of Financial Instruments

Financial Assets under AASB 139

Held-to-maturity investments

| | |
|---------------|--------|
| Term deposits | 34,000 |
|---------------|--------|

| | |
|---|---------------|
| Total held-to-maturity investments | 34,000 |
|---|---------------|

Financial assets at amortised cost

| | |
|---------------------------|-------|
| Cash and cash equivalents | 2,416 |
|---------------------------|-------|

| | |
|-------------------|-------|
| Trade receivables | 2,605 |
|-------------------|-------|

| | |
|--|--------------|
| Total financial asset at amortised cost | 5,021 |
|--|--------------|

Financial Assets under AASB 9

Financial assets at amortised cost

| | |
|---------------|--------|
| Term deposits | 27,000 |
|---------------|--------|

| | |
|---|---------------|
| Total financial assets at amortised cost | 27,000 |
|---|---------------|

Financial assets at amortised cost

| | |
|---------------------------|-------|
| Cash and cash equivalents | 5,001 |
|---------------------------|-------|

| | |
|-------------------|-----|
| Trade receivables | 959 |
|-------------------|-----|

| | |
|--|--------------|
| Total financial asset at amortised cost | 5,960 |
|--|--------------|

| | | |
|-------------------------------|---------------|--------|
| Total financial assets | 32,960 | 39,021 |
|-------------------------------|---------------|--------|

Financial Liabilities

Financial liabilities at amortised cost

| | | |
|-----------------|-------|-------|
| Trade creditors | 2,932 | 1,333 |
|-----------------|-------|-------|

| | | |
|--|--------------|-------|
| Total financial liabilities at amortised cost | 2,932 | 1,333 |
|--|--------------|-------|

Total financial liabilities

| | |
|-------|-------|
| 2,932 | 1,333 |
|-------|-------|

Classification of financial assets on the date of initial application of AASB 9.

| Financial assets class | Note | AASB 139 original classification | AASB 9 new classification | AASB 139 | AASB 9 |
|-------------------------------|------|----------------------------------|---------------------------|--------------------------------|--------------------------------|
| | | | | carrying amount at 1 July 2018 | carrying amount at 1 July 2018 |
| | | | | \$'000 | \$'000 |
| Cash and Cash Equivalents | 2.1A | Amortised Cost | Amortised Cost | 2,416 | 2,416 |
| Trade receivables | 2.1B | Amortised Cost | Amortised Cost | 2,605 | 2,605 |
| Term deposits | | Held-to-maturity | Amortised Cost | 34,000 | 34,000 |
| Total financial assets | | | | 39,021 | 39,021 |

Managing uncertainties

This section analyses how the Museum manages financial risks within its operating environment.

Accounting Policy

Financial assets

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, the Museum classifies its financial assets into the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets measured at amortised cost.

The classification depends on both the Museum's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition.

Financial assets are recognised when the Museum becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

The Museum does not currently classify any of its financial assets at fair value through OCI or FVTPL.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract, lease and other receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities at amortised cost. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

The Museum does not classify any of its financial liabilities at fair value through profit and loss.

Financial Liabilities at Amortised Cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

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).

Other information

5.1 Aggregate Assets and Liabilities

5.1A: Aggregate Assets and Liabilities

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Assets expected to be recovered in: | | |
| No more than 12 months | 34,210 | 40,142 |
| More than 12 months | 436,028 | 440,238 |
| Total assets | 470,238 | 480,380 |
| Liabilities expected to be settled in: | | |
| No more than 12 months | 6,109 | 4,542 |
| More than 12 months | 4,815 | 4,394 |
| Total liabilities | 10,924 | 8,936 |

5.2 Assets Held in the National Museum of Australia Fund

5.2A: Assets Held in the National Museum of Australia Fund

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

| | | |
|----------------------------|--------------|--------------|
| As at 1 July | 1,397 | 309 |
| Receipts | 724 | 1,188 |
| Payments | (95) | (100) |
| Total as at 30 June | 2,026 | 1,397 |