

Financial Statements

Australian Museum Annual Report 2003-2004

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Financial Commentary

The Australian Museum's financial operations for 2003-2004 resulted in a surplus of \$3.655 million. The previous year's substantial surplus was essentially a result of the inclusion of the valuation of the Museum's vast collections in the accounts and revaluation of its land and buildings.

Admissions to the Museum were less than in the previous year. Some 283,432 visitors were admitted to the Museum during the year (364,326 in 2002-2003). The average number of visitors for the previous five years was 283,443. Revenue from admissions was \$1.464 million, a decrease of 42 per cent on the 2002-2003 return of \$2.526 million. There was one special exhibition during 2003-2004, *Gold and Sacrifice*, for which a supplementary entrance fee was charged.

Smaller exhibitions included *British Gas Wildlife Photographer of the Year 2003*, *Science in the City*, *Uncovered*, *The Waterhole* and *John Gould*. These exhibitions were free of charge upon payment of the general admission fee.

The Museum's retail shop achieved sales (net of GST) of \$864,690 compared with \$1.278 million in 2002-2003, a decrease of 32 per cent. Average shop sales for the previous five years were \$947,045. Australian Museum Business Services, which contracts-in environmentally related consultancies and projects, achieved revenue of \$1.699 million, an increase of 6 per cent on the previous year's \$1.601 million.

Capital funding provided by Treasury amounted to \$8.595 million and allowed the Museum to continue the upgrading of its fire safety systems, and to complete the development of its collections management and internet web site infrastructures. A number of minor works relating to buildings, security issues and office and work area refurbishments as well as the acquisition of some minor capital equipment were able to be completed. Treasury also provided funds to allow the Museum to continue work on its accommodation strategy to overcome a number of accommodation issues in the short term.

The Museum is responsible for the maintenance of heritage classified buildings and as their heritage status requires more specialised treatment and trades skills, maintenance costs and administrative oversight are often higher than would be incurred in contemporary buildings. Maintenance and repairs of the exterior historic stonework are undertaken by the Department of Commerce and shown as an expense in the Museum's accounts. During 2003-2004 work costing \$1.489 million was undertaken.

Material Adjustments to Budgets

During 2003-2004 a transfer of \$382,000 was made to the Museum's Recurrent budget. Supplementary Capital funds were provided to continue work on the Museum's overall accommodation strategy. The Treasurer approved of supplementation of \$1.457 million in 2003-2004 for this

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project, representing the balance of unexpended funds made available for this purpose in 2002-2003. An amount of \$1.320 million was also made available by the Ministry for the Arts to undertake additional security system work for the Museum's collections and to complete fit-out of the new workshops at Alexandria.

Economic and Other Factors Affecting the Achievement of Operational Objectives

There were 283,432 visitors admitted to the Museum in 2003-2004. This was a decrease of 80,894 on the previous year. There was only one exhibition for which a supplementary charge was made in the year, but two in 2002-2003. The Museum put in place an effective programme of smaller exhibitions and activities; however the effect of international circumstances tended to reduce the number of overseas visitors to the Museum.

The budget for 2003-2004 contained a one-off amount of \$2.3 million to assist with structural change and to pursue matters related to the Museum's overall accommodation strategy. Some 33 staff were terminated by way of voluntary redundancy.

Outline of Budget for 2004-2005

Treasury has provided a budget allocation that will allow the Museum to operate throughout 2004-2005 at a reduced level compared to 2003-2004, reflecting the effect of the reduced staffing level achieved during year by way of voluntary redundancies.

The Museum has been able to plan a modest programme of exhibitions and activities for 2004-2005 by a combination of continued management reforms, efficiencies and an effective allocation of resources.

Anticipated funding for 2004-2005 includes:

- \$20.581 million Recurrent appropriation from Treasury;
- \$4.420 million Capital appropriation from Treasury;
- \$2.362 million in grants, contributions and sponsorships;
- \$6.083 million from other revenues; and
- \$1.019 million from Treasury for employee entitlements and liabilities assumed by the Crown entity.

The Museum estimates its staffing structure at 240 equivalent positions (EFT) compared with some 270 in 2003-2004.

Accounts Payment Performance Report

Schedule of accounts payable at quarter end

	30/9/03 \$'000	31/12/03 \$'000	31/3/04 \$'000	30/6/04 \$'000
Current within due date	5,826	4,144	4,280	11,075
Less than 30 days overdue	338	277	493	557
Between 30 and 60 days overdue	67	47	69	128
Between 60 and 90 days overdue	13	56	47	66
Over 90 days overdue	19	37	17	47
Total	6,263	4,561	4,906	11,873

Schedule of accounts paid on time – actual

	30/9/03 \$'000	31/12/03 \$'000	31/3/04 \$'000	30/6/04 \$'000
Percentage of accounts paid on time – Target	95%	95%	95%	95%
Total value of accounts paid on time	5,826	4,144	4,280	11,075
Total value of accounts paid	6,263	4,561	4,906	11,873
Percentage value of accounts paid on time	93%	91%	87%	93%

The Museum measures and reports its accounts payable performance on the basis of Creditor's terms. This is more stringent than the standard endorsed for Government by Treasury. Late payments may occur due to invoice queries, necessitating payment delays. There has been no interest charged for delaying payments.

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Independent Audit Report Australian Museum Trust



To Members of the New South Wales Parliament

Audit Opinion Pursuant to the *Public Finance and Audit Act 1983*

In my opinion, the financial report of the Australian Museum Trust:

- (a) presents fairly the Trust's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with sections 41B and 41BA of the *Public Finance and Audit Act 1983* (the Act).

Audit Opinion Pursuant to the Charitable Fundraising Act 1991

In my opinion:

- (a) the accounts of the Australian Museum Trust show a true and fair view of the financial result of fundraising appeals for the year ended 30 June 2004
- (b) the accounts and associated records of the Australian Museum Trust have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991* (the CF Act) and the *Charitable Fundraising Regulation 2003* (the CF Regulation)
- (c) money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the CF Act and the CF Regulation, and
- (d) there are reasonable grounds to believe that the Australian Museum Trust will be able to pay its debts as and when they fall due.

My opinion should be read in conjunction with the rest of this report.

The Trustee's Role

The financial report is the responsibility of the Trustees of the Australian Museum Trust. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the PF&A Act and the CF Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Trustees in preparing the financial report,
- examined a sample of the evidence that supports:
 - (i) the amounts and other disclosures in the financial report,
 - (ii) compliance with accounting and associated record keeping requirements pursuant to the CF Act, and
- obtained an understanding of the internal control structure for fundraising appeal activities.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Trustees had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Trust,

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- that the Trust has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



G J Gibson FCPA
Director of Audit

Sydney
21 October 2004

Statutory Financial Statements for Year Ended 30 June 2004

Statement in Accordance with Public Finance and Audit Act

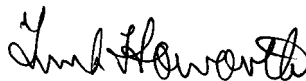
Pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983 we state that:

- The financial statements and notes thereon exhibit a true and fair view of the financial position as at 30 June 2004 and transactions for the year ended 30 June 2004.
- The financial statements have been prepared in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements, the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2000, and the Financial Reporting Code for Budget Dependent General Government Sector Agencies.
- There are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.
- The financial report has been properly drawn up and the associated records have been properly kept for the period from 1 July 2003 to 30 June 2004, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and
- Money received as a result of fundraising activities conducted during the period 1 July 2003 to 30 June 2004 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations.



Brian Sherman AM
President
Australian Museum Trust

20 October 2004



Frank Howarth
Secretary
Australian Museum Trust

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Statement of Financial Performance for the Year Ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
Expenses				
Operating Expenses:				
Employee related	2 (a)	21,216	19,762	19,662
Other operating expenses	2 (b)	11,389	12,371	11,332
Maintenance	2 (c)	2,747	1,008	1,823
Depreciation	2 (d)	4,800	4,667	4,770
Grants and subsidies	2 (e)	166	32	140
Total Expenses		40,318	37,840	37,727
Less:				
Retained Revenue				
Sale of goods and services	3 (a)	7,661	6,236	8,189
Investment Income	3 (b)	51	32	44
Grants and contributions	5	2,310	2,362	1,760
Other Revenue	3 (c), 7	—	—	530,129
Total Retained Revenue		10,022	8,630	540,122
Gain/(Loss) on disposal of non-current assets	4	(1)	—	13
Net Cost of Services	22 (a)	30,297	29,210	(502,408)
Government Contributions				
Recurrent appropriation	6	22,940	22,511	20,942
Capital appropriation	6	8,595	6,200	3,877
Acceptance by the Crown Entity of employee benefits and other liabilities	8	2,417	2,161	2,113
Total Government Contributions		33,952	30,872	26,932
SURPLUS/(DEFICIT) FOR THE YEAR		3,655	1,662	529,340
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net increase/(decrease) in asset revaluation reserve	19	—	—	(48,690)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		—	—	(48,690)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		3,655	1,662	480,650

The accompanying notes form part of these statements.

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Statement of Financial Position as at 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
ASSETS				
Current Assets				
Cash	9	333	1,363	1,154
Receivables	10	2,240	1,248	1,328
Inventories	11	187	191	191
Other financial assets	12	196	192	192
Total Current Assets		2,956	2,994	2,865
Non-Current Assets				
Property, Plant and Equipment				
– Land and Buildings	13(a)	144,666	143,428	140,398
– Plant and Equipment	13(b)	23,318	23,534	23,671
– Collections	13(c)	530,301	528,908	530,268
Total Property, Plant and Equipment		698,285	695,870	694,337
Total Non-Current Assets		698,285	695,870	694,337
Total Assets		701,241	698,864	697,202
LIABILITIES				
Current Liabilities				
Payables	15	1,446	1,731	1,731
Interest bearing liabilities	16	903	–	–
Provisions	17	1,484	1,748	1,748
Total Current Liabilities		3,833	3,479	3,479
Non-Current Liabilities				
Provisions	18	386	356	356
Total Non-Current Liabilities		386	356	356
Total Liabilities		4,219	3,835	3,835
Net Assets		697,022	695,029	693,367
EQUITY				
Reserves	19	154,000	154,000	154,000
Accumulated funds	19	543,022	541,029	539,367
Total Equity		697,022	695,029	693,367

The accompanying notes form part of these statements.

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Statement of Cash Flows for the Year Ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(20,049)	(18,635)	(17,572)
Grants and subsidies		(166)	(32)	(141)
Other		(15,245)	(15,023)	(15,502)
Total Payments		(35,460)	(33,690)	(33,215)
Receipts				
Sale of goods and services		6,007	6,300	8,167
Interest received		52	40	50
Other		3,876	4,014	3,961
Total Receipts		9,935	10,354	12,178
Cash Flows From Government				
Recurrent Appropriation		22,940	22,511	20,942
Capital Appropriation		8,595	6,200	3,877
Cash reimbursements from the Crown Entity		1,019	1,034	876
Net Cash Flows from Government		32,554	29,745	25,695
NET CASH FLOWS FROM OPERATING ACTIVITIES	22 (a)	7,029	6,409	4,658
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Land and Buildings, and Plant and Equipment		(8,756)	(6,200)	(4,331)
Proceeds from sale of Plant and Equipment		7	—	36
Purchases of investments		(4)	—	(6)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(8,753)	(6,200)	(4,301)
NET INCREASE/ (DECREASE) IN CASH				
Opening cash and cash equivalents		1,154	1,154	797
CLOSING CASH AND CASH EQUIVALENTS	9	(570)	1,363	1,154

The accompanying notes form part of these statements.

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Summary of Compliance with Financial Directives

	2004				2003			
	RECURRENT APPROPRIATION \$'000	EXPENDITURE/Net Claim on Consolidated Fund \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE/Net Claim on Consolidated Fund \$'000	RECURRENT APPROPRIATION \$'000	EXPENDITURE/Net Claim on Consolidated Fund \$'000	CAPITAL APPROPRIATION \$'000	EXPENDITURE/Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
› Appropriation Act	22,511	22,511	6,200	6,200	20,942	20,942	3,588	3,527
› Additional Appropriations	–	–	–	–	–	–	–	–
› s.21A PF&AA special appropriation	–	–	–	–	–	–	–	–
› s.24 PF&AA – transfers of functions between departments	–	–	–	–	–	–	–	–
› s.26 PF&AA – Commonwealth specific purpose payments	–	–	–	–	–	–	–	–
	22,511	22,511	6,200	6,200	20,942	20,942	3,588	3,527
OTHER APPROPRIATIONS/ EXPENDITURE								
› Treasurer's Advance	429	429	1,075	1,075	–	–	2,077	350
› Section 22 – expenditure for certain works and services	–	–	–	–	–	–	–	–
› Transfers to/from another agency (s.25 of the Appropriation Act)	–	–	1,320	1,320	–	–	–	–
	429	429	2,395	2,395	–	–	2,077	350
Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (includes Transfer payments)	22,940	22,940	8,595	8,595	20,942	20,942	5,665	3,877
Amount drawn down against Appropriation		22,940		8,595		20,942		3,877
Liability to Consolidated Fund		–		–		–		–

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2004

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Australian Museum Trust comprises all the entities under its control. These entities include The Australian Museum Society, Australian Museum Foundation and the Lizard Island Research Station. It also encompasses funds that are restricted for specified purposes by the grantor or donor, but are nevertheless controlled by the Trust.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

(b) Basis of Accounting

The Australian Museum Trust's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with the applicable Australian Accounting Standards; other authoritative pronouncements of the Australian Accounting Standards Board (AASB); Urgent Issues Group (UIG) Consensus Views; the requirements of the Public Finance and Audit Act and Regulations; and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

Except for collection assets, land and buildings and certain plant and equipment that are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Revenue Recognition

Revenue is recognised when the Trust has control of the goods or right to receive, it is probable that the economic benefits will flow to the Trust and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the agency obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions are normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are now accounted for as liabilities rather than revenue.

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie user charges. User charges are recognised as revenue when the agency obtains control of the assets that result from them.

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(iii) Investment income

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS 17 'Accounting for Leases'. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(d) Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at the nominal amounts based on amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Trust's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Museum accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits and other Liabilities".

Long service leave is measured on present value basis. The present value method (which was introduced in the 2002-2003 financial year and was changed from the short-hand method) requires that long service liabilities that are expected to be settled more than twelve months after reporting date, must be measured at the present value of the estimated future cash outflows. This method also takes into account future increases in remuneration rates.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other provisions

Other provisions exist when the Trust has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

(e) Insurance

The Trust's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The Fund Manager, based on past experience, determines the expense (premium).

(f) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the Trust as a purchaser that is not recoverable from

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the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

– receivables and payables are stated with the amount of GST included.

(g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Trust. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

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

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(h) Plant and Equipment

Plant and equipment costing \$3,000 and above individually are capitalised. Computer related assets costing individually \$3,000 or less but which form part of a network with a cumulative value in excess of \$3,000 are also capitalised.

(i) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TTP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation method and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits. The Trust is a not for profit entity with no cash generating operations.

Each class of physical non-current assets is revalued every five years and with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last such revaluation was completed on 30 June 2003 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation is separately restated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus / deficit, the increment is recognised immediately as revenue in the surplus / deficit.

Revaluation decrements are recognised immediately as expenses in the surplus /

deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(j) Depreciation of Non-Current Physical Assets

Except for a limited number of heritage assets, depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Museum.

All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance.

Land is not a depreciable asset. Certain heritage assets have an extremely long useful life, including original artworks and collections and heritage buildings. Depreciation for these items cannot be reliably measured because the useful life and the net amount to be recovered at the end of the useful life cannot be reliably measured. In these cases, depreciation is not recognised. The decision not to recognise depreciation for these assets is reviewed annually.

The other buildings at the Sydney site are divided into Major buildings that are depreciated over their estimated life of 75 years and Minor buildings that are depreciated over their estimated life of 15 to 55 years.

The buildings on Lizard Island are depreciated over their estimated life of up to 50 years on the assumption that the Museum's lease of land on the island will be renewed.

Depreciation rates for each property, plant and equipment asset category are as follows:

Buildings	1.25%-6.67%
Plant and Equipment	10%-33.33%
Vehicles/Vessels	15%

Permanent exhibitions are depreciated on a straight-line basis based on their expected useful life, with a maximum life for depreciation purposes not exceeding 9 years.

(k) Maintenance and repairs

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(l) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Financial Performance in periods in which they are incurred.

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(m) Cash

Cash comprises cash on hand and bank balances with the Museum's bankers. Interest is earned on daily balances at a fixed rate.

(n) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost is calculated using the weighted average cost or "first in first out" method.

(p) Other Financial Assets

"Other financial assets" are term deposits with the Commonwealth Bank of Australia and are recognised at cost. The interest rate is added to the term deposits every six months and at maturity. Interest revenues are recognised as they accrue.

(q) Other Assets

Other assets including prepayments are recognised on a cost basis.

(r) Payables

These amounts represent liabilities for goods and services provided to the Museum and other amounts, including interest. Interest is accrued over the period it becomes due.

(s) Interest bearing liabilities

All loans are valued at current capital value. An overdraft limit is not exceeded and interest charges are not incurred.

(t) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position the amounts vary from the Budget Papers as the opening balances of the budgeted amounts are based on carried forward actual amounts, ie per the audited financial statements (rather than carried forward estimates).

(u) Adopting AASB 1047 Disclosure

The Museum will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The Museum is managing the transition to the new standards by allocating internal resources to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the Museum has taken the following steps to manage the transition to the new standards:

- The Museum's Executive is overseeing the transition. The Finance Unit is responsible for the project and reports regularly to the Head of Corporate and Commercial activities on progress.

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- The following phases that need to be undertaken have been identified:
 - Identify relevant standards that impact on operations.
 - Determine the extent of the impact.
 - Identify remedial action that is required.

To date considerable progress has been made on identifying the relevant standards that will change and the extent of change. It is estimated that the project may be completed by end March, 2005.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establish an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

The Museum has identified a number of significant differences in accounting policies that may arise from AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the Museum of options it is likely to mandate, and will confirm these during 2004-05. This disclosure reflects the likely mandate.

The Museum's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 117 *Leases* requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- AASB 1004 *Contributions* applies to *not-for-profit entities* only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 *Financial Reporting by Local Governments*. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in substance agreements for the provision of goods and services) or until conditions are satisfied.
- AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.
- AASB 138 *Intangibles* requires that all research costs must be expended and restricts capitalisation of development costs. Some previously recognised internally generated intangible assets may need to be derecognised. Further, intangible assets can only be revalued where there is an active market, which is unlikely to occur. As a result, it is likely that any revaluation increments will need to be derecognised and intangible assets recognised at cost.

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	2004 \$'000	2003 \$'000
2. Expenses		
(a) Employee related expenses		
Salaries and wages (including recreation leave)	17,423	16,036
Superannuation	1,541	1,503
Payroll Tax and Fringe Benefit Tax	1,162	1,225
Long Service Leave	731	524
Workers' Compensation Insurance	327	218
Other	32	156
	21,216	19,662
(b) Other operating expenses		
Auditor's Remuneration		
– audit and review of financial reports	50	64
Operating lease rental expense:		
– minimum lease payments	729	603
– rental outgoings	108	–
Freight	135	71
Motor Vehicles	149	175
Advertising and Promotional	953	835
Electricity	278	247
Gas	61	48
Water	46	45
Consultants	229	9
Contractors	1,225	781
Travel and Accommodation	540	548
Cleaning and Waste Removal	429	381
Cost of Sales	461	762
Insurance	1,233	1,636
Postal and Telephone	482	492
Working Expenses	1,260	1,522
Security Services	253	357
Donations and Contributions	15	40
Hiring Costs	277	206
Books, Journals & Subscriptions	235	232
Licences	248	178
Exhibition Costs	488	650
Minor Plant & Equipment	248	364
Promotion costs	291	274
Staff Training	112	70
Filming & Photography	50	41
Graphics & Design	94	53
Legal & Professional	250	65
Printing	460	583
	11,389	11,332
(c) Maintenance		
Repairs and Routine Maintenance	2,747	1,823
	2,747	1,823

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	2004 \$'000	2003 \$'000
(d) Depreciation		
Buildings	236	118
Exhibitions	810	990
Plant and Equipment	3,754	3,662
	4,800	4,770

(e) Grants and subsidies		
Visiting Fellowships	53	63
Post Graduate Research Grants	16	5
Other Grants	97	72
	166	140

3. Retained Revenue

(a) Sale of Goods and Services		
Sale of Goods	3,015	4,527
Rendering of services	4,646	3,662
	7,661	8,189

(b) Investment Income		
Interest	51	44

(c) Other Revenue		
Collection assets (Note 7)	–	530,129

4. Gain/(Loss) on Disposal of Non-current Assets

Gain/(Loss) on disposal of plant & equipment		
Proceeds from disposal	7	36
Written down value of assets disposed	(8)	(23)
Gain/(loss) on disposal of Non -Current Assets	(1)	13

5. Grants and Contributions

Scientific Research – Federal Government Grants	869	683
Scientific Research – State Government Grants	127	226
Other Grants	471	415
Donations	235	282
Other	608	154
	2,310	1,760

For conditions on Grants and Contributions see Note 14.

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	2004 \$'000	2003 \$'000
6. Appropriations		
Recurrent appropriations		
Total recurrent drawdown from Treasury (per summary of compliance)	22,940	20,942
	22,940	20,942
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	22,940	20,942
	22,940	20,942
Capital appropriations		
Total capital drawdown from Treasury (per Summary of Compliance)	8,595	3,877
	8,595	3,877
Comprising:		
Capital appropriations (per Statement of Financial Performance)	8,595	3,877
	8,595	3,877

7. Individually significant items

Collections

At Fair Value	–	530,129
	–	530,129

See Note 13.

8. Acceptance by Crown Entity of Employee Benefits and Other Liabilities

The following liabilities and/or expenses have been Assumed by the Crown Entity or other government agencies:

Superannuation	1,599	1,503
Long Service Leave	731	524
Payroll Tax	87	86
	2,417	2,113

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	2004 \$'000	2003 \$'000
9. Current Assets – Cash		
Cash at bank and on hand	152	467
Deposits at call	181	687
	333	1,154

For the purpose of the Statement of Cash Flows, cash includes cash on hand, cash at bank and bank overdraft. Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	333	1,154
Bank Overdraft	(903)	–
Closing Cash and Cash Equivalents (per Statement of Cash flows)	(570)	1,154

10. Current Assets – Receivables

Trade Debtors: Sale of Goods & Services	2,067	1,221
Accrued Revenue	94	8
Other	85	105
	2,246	1,334
Less Provision for Doubtful Debts	6	6
	2,240	1,328

11. Current Assets – Inventories

Shop Stocks		
– At Cost	187	191
	187	191

The value recorded at 30 June 2004 of \$186,671 (\$190,634 as at 30 June 2003) represented finished goods held in the Museum's shop at College Street.

12. Current Assets – Other Financial Assets

Bank Deposits	196	192
	196	192

Financial Statements

	2004 \$'000	2003 \$'000
13. Non-current Assets – Property, Plant and Equipment		
a) Land and Buildings		
At Fair Value	148,372	143,868
Less Accumulated Depreciation	3,706	3,470
	144,666	140,398
b) Plant and Equipment		
At Fair Value	57,511	53,504
Less Accumulated Depreciation	34,193	29,833
	23,318	23,671
c) Collections		
At Fair Value	530,301	530,268
	530,301	530,268
Total Property, Plant and Equipment at Net Book Value	698,285	694,337

Reconciliation

	Land \$'000	Buildings \$'000	Plant & Equip \$'000	Collections \$'000	Total \$'000
2004					
Carrying amount at start of year	21,000	119,398	23,671	530,268	694,337
Additions	–	4,504	4,219	33	8,756
Disposals	–	–	(211)	–	(211)
Depreciation Expense	–	(236)	(4,564)	–	(4,800)
Depreciation written back on assets disposed	–	–	203	–	203
Carrying amount at end of year	21,000	123,666	23,318	530,301	698,285

Land and Buildings

The Department of Commerce previously valued the land at fair value in accordance with AASB1041 having regard to highest and best use that is feasible subject to the restrictions imposed by the heritage buildings on the site. The date of valuation was 30 June 2003 for the College Street to Yurong Street site. The Department of Commerce also valued the Museum's buildings as at 30 June 2003.

The Museum's heritage buildings are valued at replacement cost for a building closely resembling the existing facility, assuming that the existing external sandstone walls would be replaced with a sandstone façade.

The other buildings of the Museum are valued based on the estimated written down replacement cost of the most appropriate modern equivalent replacement facility having a similar service potential to the existing asset.

The Lizard Island Research Station site is occupied by the Trust as lessee from the Queensland government. A new lease was negotiated for a nominal value and commenced on 1 July 1998 for a term of twenty years.

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Plant and Equipment

The Department of Commerce valued the plant and equipment as at 30 June 2003 at Fair Value.

Exhibitions

The value of exhibitions of \$13.3M included in Plant and Equipment represents capitalisation of the development and establishment costs of exhibitions that will continue to generate revenue or provide a community service beyond the financial year or years in which these costs were incurred.

Capitalised development and establishment costs include material and construction expenditure, but do not include an assessment of the intrinsic value of collection items incorporated in an exhibition unless specifically purchased and costed for that purpose. Labour costs for permanent staff inputs to the development of exhibitions are reflected in employee related expenses and are not included in the capitalisation of exhibitions.

Collections

The Australian Museum's collections, valued at \$530.3M, were recognised in 2002-2003 following the completion of a valuation exercise which ascribed values based on a combination of both market value and recollection cost. The valuation was calculated with the use of internal and external resources, including professional statisticians and valuers. The Museum's collections are not depreciated.

Acquisition of collection items are recorded at cost when purchased. Valuation of the Collections from an independent assessor will be completed every five years. The last valuation was completed as at 30 June 2003.

14. Restricted Assets

Conditions on Contributions and Restricted Assets

The Museum receives grants from various bodies for specific purposes (see Note 5). Generally grant conditions require monies granted to be spent only on specific projects, however grant conditions vary widely with respect to deliverables, timing, acquittal and repayment requirements. Cash and investments should be held equal to unspent balances where contractually specified. The Museum has not complied with these conditions in respect of some specific purpose grants, as it used cash relating to unspent balances for general operating purposes. To ensure project outcomes are delivered in accordance with contractual obligations, funds are provided for the specific projects from the Museum's other sources of income as required. This treatment is consistent with prior years. During 2004-2005 the Museum will begin to correct this non-compliance with specific purpose grant conditions by analysing the position on a project by project basis and amending its processes to ensure sufficient cash or investments are retained to equal unspent balances for specific purpose grants. This process is likely to take several years. Unexpended balances for all grant projects at year end were:

	2004 \$'000	2003 \$'000
Scientific Research – Federal Government Grants	716	448
Scientific Research – State Government Grants	328	289
Other Grants	1,335	1,085
	2,379	1,822

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	2004 \$'000	2003 \$'000
15. Current Liabilities – Payables		
Creditors	298	751
Other Accruals	758	313
Income received in advance	61	51
Borrowings	200	200
Accrued salaries, wages and on-costs	129	416
	1,446	1,731

Borrowings represent a non-interest bearing loan.

16. Current Liabilities – Interest Bearing Liabilities

Secured

Bank Overdraft	903	–
Total Interest Bearing Liabilities	903	–

17. Current Liabilities – Provisions

Employee benefits and related on-costs

Recreation leave	1,442	1,710
Long Service Leave	42	38
Total Provision	1,484	1,748

18. Non-current Liabilities – Provisions

Employee benefits and related on-costs		
Long Service Leave	386	356
Total Provision	386	356

Aggregate employee benefits and related on-costs:

Provisions – current	1,484	1,748
Provisions – non current	386	356
Accrued salaries, wages and on-costs	129	416
	1,999	2,520

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	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
19. Changes in Equity						
Balance at the beginning of the financial year	539,367	10,027	154,000	202,690	693,367	212,717
Changes in equity – other than transactions with owners as owners						
Surplus/ (deficit) for the year	3,655	529,340	–	–	3,655	529,340
Increment/ (decrement) on revaluation of:						
– Land and Buildings	–	–	–	(52,503)	–	(52,503)
– Plant and Equipment	–	–	–	3,813	–	3,813
Total Balance at the end of the Financial year	543,022	539,367	154,000	154,000	697,022	693,367

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Trust's policy on the "Revaluation of Physical Non-Current Assets" and "Investments", as discussed in Note 1.

	2004 \$'000	2003 \$'000
20. Commitments for expenditure		

(a) Capital commitments

Aggregate expenditure for the acquisition of capital equipment/projects contracted for at balance date and not provided for:

Not later than one year	–	–
Total (including GST)	–	–

(b) Other expenditure commitments

Aggregate expenditure for Other Operating Expenses contracted for at balance date and not provided for:

Not later than one year	1,271	586
Total (including GST)	1,271	586

(c) Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than 1 year	434	649
Later than 1 year & not later than 5 years	1,523	100
Later than 5 years	468	–
Total (including GST)	2,425	749

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(d) Goods and Services Tax

The total commitments above include input tax credits of \$336,066 that are expected to be recoverable from the Australian Taxation Office.

21. Budget Review

Net Cost of Services

The actual Net Cost of Services was \$30.297M, compared to a budgeted Net Cost of \$29.210M.

Revenue exceeded budget by \$1.4M, mainly due to accounting for the value of work carried out on the external stonework of the building (\$1.489M) by the Department of Commerce. This amount is also accounted for as an expense.

While Total Expenses were \$2.5M above budget, the main components were additional Depreciation (non-cash) charges of \$0.1M, additional Maintenance related expenses of \$1.7M, including accounting for the cost of maintenance and repairs to external stonework and additional Employee Related Expenses of \$1.5M, offset by a decrease in operating expenses of \$1.0M, mainly due to reduced activity levels.

The higher than anticipated Employee Related Expenses were caused mainly by expenses related to the payment of redundancy entitlements to staff. Maintenance expenses increased due to accounting for work carried out by Department of Commerce on the fabric of the building.

Assets and Liabilities

Payables decreased as a result of efficient payment processing.

Cash Flows

Receipts from Operating activities were down by \$0.4M compared to budget, mainly attributable to decreased Admissions revenue and shop sales. Total Operating payments increased by \$1.8M compared to budget, mainly as a result of the staff redundancy payments.

	2004 \$'000	2003 \$'000
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22. Note to Statement of Cash Flows

(a) Reconciliation of cash flows from operating activities to net cost of services

Net cash provided by operating activities	(7,029)	(4,658)
Cash Flows from Government/Appropriations	31,535	24,819
Acceptance by the Crown Entity of Employee benefits and other liabilities	2,417	2,113
Depreciation	4,800	4,770
Assets recognised	–	(530,129)
Increase/(decrease) in Provisions	(234)	797
Decrease/(increase) in Receivables	(912)	247
(Gain)/loss on Disposal of Plant & Equipment	1	(13)
Decrease/(increase) in Inventory	4	19
Increase/(decrease) in Creditors	(285)	(373)
Net cost of services	30,297	(502,408)

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(b) Bank Overdraft facility

The Museum has a \$400,000 business bank facility on its operating account for payroll processing purposes. An offset facility of \$100,000 is included as part of this facility.

23. Non-cash Financing and Investing Activities

Material assistance provided to the Museum for which payment was not made, (some figures are not available as to the cost of these services) included:

- Volunteer Services
- Ministry for the Arts
- Donation of objects for the Collections
- Dept of Commerce to repair historic stonework (valued at \$1,489,221)

24. Members Fees or Benefits, etc.

Trust members do not receive emoluments or other benefits of office. There were no loans made to members or employees of the Trust.

25. Contingent Assets and Liabilities

The Trust was not aware of any contingent asset or liability relevant to its functions as at 30 June 2004 (\$Nil at 30 June 2003).

26. Program Information

The Australian Museum operates under one Budget program. The objective is to increase and disseminate knowledge about, and encourage the understanding of our natural environment and cultural heritage, especially in the Australian region.

27. Financial Instruments

Cash

Cash comprises cash on hand, cash at bank and cash deposit account with the Commonwealth Bank of Australia. Interest is earned on daily bank balances and paid quarterly into the Museum's bank account. The interest rates at year end ranged from Nil to 4.7%.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written-off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 days terms.

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Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are normally settled within creditor's terms. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received in accordance with the policy set out in Treasurer's Direction 219.01. TD219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the financial year.

Other Financial Assets

Investments are brought to account at cost. The face value was \$295,370 as at 30 June 2004 (\$191,834 as at 30/6/03). Investments consist of term deposits and an at call deposit with the Commonwealth Bank of Australia. The interest rate for the investment at year end ranged from 2.75% to 4.7% (4.4% for 2003).

END OF AUDITED FINANCIAL STATEMENTS

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Australian Museum
6 College Street Sydney 2010
www.amonline.net.au
Telephone (02) 9320 6000
Fax (02) 9320 6050
Email info1@austmus.gov.au
www.amonline.net.au

The Australian Museum is open from 9.30am to 5pm seven days a week (except Christmas Day). Business hours are 9am to 5pm Monday to Friday.



General Admission Charges
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Availability
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