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## INDEPENDENT AUDITOR'S REPORT

To the Minister for the Arts

### Opinion

In my opinion, the financial statements of the National Film and Sound Archive for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Film and Sound Archive as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the National Film and Sound Archive, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Chairperson, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements comprising an Overview, 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 National Film and Sound Archive 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* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). 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 Authorities of the National Film and Sound Archive the Director and Chief Executive are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Director and Chief Executive are also responsible for such internal control as the Director and Chief Executive determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director and Chief Executive are responsible for assessing the National Film and Sound Archive's ability 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 Director and Chief Executive are also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

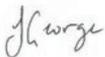
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 Authorities;
- 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 those charged with governance 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



Jodi George

Acting Executive Director

Delegate of the Auditor-General

Canberra

22 September 2017

**STATEMENT** BY THE CHAIRPERSON,  
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
for the period ended 30 June 2017

In our opinion, the attached financial statements for the year ended 30 June 2017 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 Film and Sound Archive of Australia (NFSA) will be able to pay its debts as and when they fall due.

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



**Gabrielle Trainor AO**  
Chairperson  
21 September 2017



**Meg Labrum**  
Acting Chief Executive Officer  
21 September 2017



**Denise Cardew-Hall FCA**  
Chief Operating Officer and Chief Financial Officer  
21 September 2017

# STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
<b>Net Cost Of Services</b>				
<b>Expenses</b>				
Employee benefits	1.1A	15,941	16,810	16,109
Suppliers	1.1B	6,828	6,418	7,334
Depreciation and amortisation	2.2A	10,547	8,951	8,642
Unwinding of discount for restoration obligation		-	4	-
Write-down and impairment of assets		237	-	-
Losses from asset sales		14	-	-
<b>Total expenses</b>		<b>33,567</b>	32,183	32,085
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	700	737	400
Interest on held to maturity investments		159	236	150
Royalties		195	356	850
Other revenue	1.2B	358	351	300
<b>Total own-source revenue</b>		<b>1,412</b>	1,680	1,700
<b>Gains</b>				
Donations of gifted collection	2.2A	3,870	4,560	5,800
Revaluation increments		716	-	-
Other gains		69	74	-
<b>Total gains</b>		<b>4,655</b>	4,634	5,800
<b>Total own-source income</b>		<b>6,067</b>	6,314	7,500
<b>Net cost of services</b>		<b>27,500</b>	25,869	24,585
Revenue from Government	1.2C	24,416	25,408	24,316
<b>Deficit attributable to the Australian Government</b>		<b>(3,084)</b>	(461)	(269)
<b>Other Comprehensive Income</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		2,098	18,202	-
<b>Total comprehensive income</b>		<b>(986)</b>	17,741	(269)

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

# STATEMENT OF COMPREHENSIVE INCOME (Continued)

for the period ended 30 June 2017

## BUDGET VARIANCES COMMENTARY

The deficit is \$2.8 million higher than the original budget amount.

Donations of gifted collection represents the value of the heritage and cultural assets that are donated to the NFSA for inclusion in the collection. The value is difficult to forecast as it is dependent on the nature and quantum of the items received. Accordingly a notional \$5.8 million was included in the original budget, while the actual value of \$3.9 million, in accordance with the valuation policy, was determined as the items were accessioned into the collection, \$1.9 million lower than the budgeted amount.

Royalties are also difficult to forecast and are dependent on third party sales of NFSA material. A notional \$0.85 million was included in the budget. The actual revenue was \$0.19 million, \$0.66 million lower than the budgeted amount.

Depreciation and amortisation expense is higher by \$1.9 million due to an increase in the value of the heritage and cultural collection not budgeted for, and increased investment in plant and equipment.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
<b>Assets</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.1A	1,293	1,781	686
Trade and other receivables	2.1B	190	266	220
Other investments	2.1C	6,000	5,500	5,500
Other financial assets		-	-	251
<b>Total financial assets</b>		<b>7,483</b>	<b>7,547</b>	<b>6,657</b>
<b>Non-financial assets</b>				
Land	2.2A	6,050	6,050	6,050
Buildings	2.2A	28,155	29,505	29,773
Heritage and cultural	2.2A	250,908	249,019	234,322
Plant and equipment	2.2A	6,321	6,562	4,141
Computer software	2.2A	2,035	2,198	3,034
Licences	2.2A	33	6	-
Inventories	2.2B	583	574	-
Other non-financial assets	2.2C	314	405	-
<b>Total non-financial assets</b>		<b>294,399</b>	<b>294,319</b>	<b>277,320</b>
<b>Total assets</b>		<b>301,882</b>	<b>301,866</b>	<b>283,977</b>
<b>Liabilities</b>				
<b>Payables</b>				
Suppliers	2.3A	947	980	593
Other payables	2.3B	135	78	-
<b>Total payables</b>		<b>1,082</b>	<b>1,058</b>	<b>593</b>
<b>Provisions</b>				
Employee provisions	4.1A	3,689	3,519	3,337
Other provisions	2.4A	197	203	153
<b>Total provisions</b>		<b>3,886</b>	<b>3,722</b>	<b>3,490</b>
<b>Total liabilities</b>		<b>4,968</b>	<b>4,780</b>	<b>4,083</b>
<b>Net assets</b>		<b>296,914</b>	<b>297,086</b>	<b>279,894</b>
<b>Equity</b>				
Contributed equity		217,570	216,756	217,570
Reserves		68,556	66,458	48,256
Retained surplus		10,788	13,872	14,068
<b>Total equity</b>		<b>296,914</b>	<b>297,086</b>	<b>279,894</b>

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

# STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2017

## BUDGET VARIANCES COMMENTARY

Total assets is higher than budget by \$18 million.

The higher than budgeted level in heritage and cultural assets of \$17 million occurred as a result of the revaluation of assets undertaken on 30 June 2016 which was not budgeted for.

The higher than budgeted level of plant and equipment and payables is as a result of the acquisition of assets in response to the digitisation strategy, which was not budgeted for.

Total equity is higher than budget by \$17 million.

The higher than budgeted level of reserves of \$20 million is the result of the revaluation of assets undertaken on 30 June 2016. There was a significant increase in the heritage and cultural asset reserve of \$18 million, at the end of 2016.

# STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
<b>Contributed Equity</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		216,756	215,939	216,756
<b>Adjusted opening balance</b>		<b>216,756</b>	215,939	216,756
<b>Contributions by owners</b>				
Equity injection – Appropriation		814	817	814
<b>Total transactions with owners</b>		<b>814</b>	817	814
<b>Closing balance as at 30 June</b>		<b>217,570</b>	216,756	217,570
<b>Retained Earnings</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		13,872	14,333	14,337
<b>Adjusted opening balance</b>		<b>13,872</b>	14,333	14,337
<b>Comprehensive income</b>				
Deficit for the period		(3,084)	(461)	(269)
<b>Total comprehensive income</b>		<b>(3,084)</b>	(461)	(269)
<b>Closing balance as at 30 June</b>		<b>10,788</b>	13,872	14,068
<b>Asset Revaluation Reserve</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		66,458	48,256	48,256
<b>Adjusted opening balance</b>		<b>66,458</b>	48,256	48,256
<b>Comprehensive income</b>				
Other comprehensive income – movements in property, plant and equipment	2.2A	2,814	18,202	-
Other comprehensive income – realisation of reserve amounts on disposal of assets		(716)	-	-
<b>Total comprehensive income</b>		<b>2,098</b>	18,202	-
<b>Closing balance as at 30 June</b>		<b>68,556</b>	66,458	48,256

## STATEMENT OF CHANGES IN EQUITY (Continued)

for the period ended 30 June 2017

	2017	2016	Original Budget
Notes	\$'000	\$'000	\$'000
<b>Total Equity</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	297,086	278,528	279,349
<b>Adjusted opening balance</b>	<b>297,086</b>	278,528	279,349
<b>Comprehensive income</b>			
Other comprehensive income – movements in property, plant and equipment	2,814	18,202	-
Other comprehensive income – realisation of reserve amounts on disposal of assets	(716)	-	-
Deficit for the period	(3,084)	(461)	(269)
<b>Total comprehensive income</b>	<b>(986)</b>	17,741	(269)
<b>Contributions by owners</b>			
Equity injection – Appropriation	814	817	814
<b>Total transactions with owners</b>	<b>814</b>	817	814
<b>Closing balance as at 30 June</b>	<b>296,914</b>	297,086	279,894

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

No comparison has been provided for the Statement of Changes in Equity as major changes between original budget and actual outcome are explained in the movements in the Statement of Comprehensive Income and the Statement of Financial Position.

# CASH FLOW STATEMENT

for the period ended 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
<b>Operating Activities</b>				
<b>Cash received</b>				
Receipts from Government		24,416	25,408	24,316
Sales of goods and rendering of services		879	760	369
Interest		186	192	150
Royalties		195	356	850
Donations		69	27	-
Net GST received		759	662	740
Other		382	358	300
<b>Total cash received</b>		<b>26,886</b>	<b>27,763</b>	<b>26,725</b>
<b>Cash used</b>				
Employees		16,666	17,365	16,012
Suppliers		7,777	7,396	8,137
<b>Total cash used</b>		<b>24,443</b>	<b>24,761</b>	<b>24,149</b>
<b>Net cash from operating activities</b>		<b>2,443</b>	<b>3,002</b>	<b>2,576</b>
<b>Investing Activities</b>				
<b>Cash used</b>				
Purchase of property, plant and equipment, software and heritage and cultural assets		3,245	3,285	3,387
Other investments		500	-	-
<b>Total cash used</b>		<b>3,745</b>	<b>3,285</b>	<b>3,387</b>
<b>Net cash used by investing activities</b>		<b>3,745</b>	<b>3,285</b>	<b>3,387</b>
<b>Financing Activities</b>				
<b>Cash received</b>				
Contributed equity		814	817	814
<b>Total cash received</b>		<b>814</b>	<b>817</b>	<b>814</b>
<b>Net cash from financing activities</b>		<b>814</b>	<b>817</b>	<b>814</b>
<b>Net increase (decrease) in cash held</b>		<b>(488)</b>	<b>534</b>	<b>3</b>
Cash and cash equivalents at the beginning of the reporting period		1,781	1,247	683
<b>Cash and cash equivalents at the end of the reporting period</b>	2.1A	<b>1,293</b>	<b>1,781</b>	<b>686</b>

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

## BUDGET VARIANCES COMMENTARY

No commentary is provided as there are no significant variances from original budget to actual.

# OVERVIEW

## Basis of preparation of the Financial Statements

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)* for reporting periods ending on or after 1 July 2015, 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 result of the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

## Taxation

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

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

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office, and
- b) for receivables and payables.

## Events After the Reporting Period

There were no subsequent events that had the potential to significantly affect the ongoing structure and financial activities of the NFSA.

## NOTE 1: FINANCIAL PERFORMANCE

This section analyses the financial performance of the NFSA for the year ended 30 June 2017.

	2017	2016
	\$'000	\$'000
<b>1.1. Expenses</b>		
<b>1.1A: Employee Benefits</b>		
Wages and salaries	11,445	11,400
Superannuation:		
Defined contribution plans	1,366	1,373
Defined benefit plans	1,196	1,244
Leave and other entitlements	1,899	1,616
Separation and redundancies	20	1,080
Other employee benefits	15	97
<b>Total employee benefits</b>	<b>15,941</b>	<b>16,810</b>

### 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

Consultants	642	551
Contractors	128	58
Travel	301	364
IT services	1,299	1,026
Advertising and marketing	117	88
Property operating expenses	2,039	1,578
Financial statement audit services	60	60
Other	979	1,301
<b>Total goods and services supplied or rendered</b>	<b>5,565</b>	<b>5,026</b>

#### Other suppliers

Operating lease rentals	1,039	1,118
Workers compensation expenses	224	274
<b>Total other suppliers</b>	<b>1,263</b>	<b>1,392</b>
<b>Total suppliers</b>	<b>6,828</b>	<b>6,418</b>

#### Leasing commitments

The NFSA in its capacity as lessee has operating leases for office accommodation, collection storage and fibre link connection. Rental payments are made by the NFSA and full ownership rights are kept by the lessor. The contract period is shorter than the life of the asset and the NFSA pays all maintenance and servicing costs.

## NOTE 1: FINANCIAL PERFORMANCE (Continued)

	2017	2016
	\$'000	\$'000
<b>1.1. Expenses (Continued)</b>		
<b>1.1B: Suppliers (Continued)</b>		
<b>Operating lease commitments</b>		
Within 1 year	911	908
Between 1 to 5 years	2,742	1,814
<b>Total operating lease commitments</b>	<b>3,653</b>	<b>2,722</b>

### ACCOUNTING POLICY

#### Contracts

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

#### Operating leases in general

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

#### Leases for office accommodation and collection storage

Lease payments are subject to fixed annual increases in accordance with lease agreements. Leases for office accommodation and collection storage may each be renewed for various periods at the NFSA's option.

#### Lease for fibre link connection

Lease payments are subject to annual review with the percentage increase not to exceed the increase of the CPI in the preceding twelve months.

## 1.2: Own-Source Revenue and Gains

### 1.2A: Sale of Goods and Rendering of Services

Sale of goods	66	103
Rendering of services	634	634
<b>Total sale of goods and rendering of services</b>	<b>700</b>	<b>737</b>

### ACCOUNTING POLICY

#### Revenue from rendering of services

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

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

#### Interest revenue

Interest revenue is recognised using the effective interest method.

**NOTE 1: FINANCIAL PERFORMANCE** (Continued)

	2017	2016
	\$'000	\$'000
<b>1.2: Own-Source Revenue and Gains (Continued)</b>		
<b>1.2B: Other Revenue</b>		
Grants and sponsorships	100	53
Rental income	39	39
Other	219	259
<b>Total other revenue</b>	<b>358</b>	<b>351</b>
<b>1.2C: Revenue from Government</b>		
Attorney General's Department		
Corporate entity payment item	-	11,900
Department of Communications and the Arts		
Corporate entity payment item	24,416	13,508
<b>Total revenue from Government</b>	<b>24,416</b>	<b>25,408</b>

**ACCOUNTING POLICY**

**Revenue from Government**

Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a non-corporate Commonwealth entity payment item for payment to the NFSA) is recognised as Revenue from Government by the NFSA unless the funding is in the nature of an equity injection or a loan.

## NOTE 2: FINANCIAL POSITION

This section analyses the NFSA'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

#### ACCOUNTING POLICY

Financial assets are measured at amortised cost using the effective interest method less any amounts for impairment allowance. The carrying amount of financial assets is a reasonable approximation of fair value.

	2017	2016
	\$'000	\$'000
<b>2.1A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	1,293	1,781
<b>Total cash and cash equivalents</b>	<b>1,293</b>	<b>1,781</b>

#### ACCOUNTING POLICY

##### Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- cash on hand, and
- demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

### 2.1B: Trade and Other Receivables

<b>Goods and services receivable</b>	<b>49</b>	135
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office (net)	<b>126</b>	65
Interest	<b>15</b>	42
Other	-	24
<b>Total other receivables</b>	<b>141</b>	131
<b>Total trade and other receivables (gross)</b>	<b>190</b>	266
<b>Total trade and other receivables (net)</b>	<b>190</b>	266

#### ACCOUNTING POLICY

##### Loans and Receivables

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable. There is no provision for doubtful debts in 2017 (2016: nil).

### 2.1C: Other Investments (held to maturity)

	6,000	5,500
<b>Total other investments<sup>1</sup></b>	<b>6,000</b>	<b>5,500</b>

1. Term deposits are currently held with IMB for various balances with varying maturities greater than 30 days.

## NOTE 2: FINANCIAL POSITION (Continued)

### 2.2: Non-Financial Assets

#### 2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	\$'000	Buildings and leasehold improvements	Heritage and cultural <sup>1</sup>	Plant and equipment	Computer software <sup>2</sup>	Licences	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2016</b>							
Gross book value	6,050	29,505	249,019	6,562	4,541	281	295,958
Accumulated depreciation, amortisation and impairment	-	-	-	-	(2,343)	(275)	(2,618)
<b>Total as at 1 July 2016</b>	<b>6,050</b>	<b>29,505</b>	<b>249,019</b>	<b>6,562</b>	<b>2,198</b>	<b>6</b>	<b>293,340</b>
Additions:							
Purchase	-	96	753	1,415	417	23	2,704
Work in progress	-	-	-	441	-	-	441
Donation/gift	-	-	3,870	-	-	-	3,870
Internally developed	-	-	1,030	-	-	-	1,030
Revaluations and impairments recognised in other comprehensive income	-	(250)	1,539	1,525	-	-	2,814
Reclassifications	-	261	-	(359)	98	-	-
Depreciation and amortisation	-	(1,608)	(5,303)	(2,988)	(652)	4	(10,547)
Disposals/write-down	-	-	-	(228)	(2)	-	(230)
Other	-	151	-	(47)	(24)	-	80
<b>Total as at 30 June 2017</b>	<b>6,050</b>	<b>28,155</b>	<b>250,908</b>	<b>6,321</b>	<b>2,035</b>	<b>33</b>	<b>293,502</b>
<b>Total as at 30 June 2017 represented by:</b>							
Gross book value	6,050	29,763	256,211	8,112	4,653	89	304,878
Accumulated depreciation, amortisation and impairment	-	(1,608)	(5,303)	(1,791)	(2,618)	(56)	(11,376)
<b>Total as at 30 June 2017</b>	<b>6,050</b>	<b>28,155</b>	<b>250,908</b>	<b>6,321</b>	<b>2,035</b>	<b>33</b>	<b>293,502</b>

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.
2. The carrying amount of computer software included \$1,033,256 of purchased software and \$1,001,799 of internally generated software.

## NOTE 2: FINANCIAL POSITION (Continued)

### 2.2: Non-Financial Assets (Continued)

#### ACCOUNTING POLICY

##### Acquisition of non-financial assets

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

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

##### Donations/contributions of assets

Donations/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.

Heritage and cultural items yet to be formally accepted into the collection are not recognised as assets in the financial statements as the cost of these items cannot be reliably measured until they are evaluated and accepted into the collection.

Purchased heritage and cultural items are valued at the amounts determined by the valuer for the same category. The increase (or decrease) attributable is taken to the asset revaluation reserve on initial recognition.

##### 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).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the NFSA where there exists an obligation to restore the property to its original condition. These costs are included in the value of the NFSA's leasehold improvements with a corresponding provision for the 'make good' recognised.

##### Revaluation of non-financial assets

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

On 30 June 2016, an independent valuer, Pickles Valuation Services, conducted the revaluations and a revaluation adjustment was made to non-financial assets.

Pickles Valuation Services reaffirmed the June 2016 values of heritage and cultural assets as at 30 June 2017.

## NOTE 2: FINANCIAL POSITION (Continued)

### 2.2: Non-Financial Assets (Continued)

#### Significant accounting judgements and estimates

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

#### Fair values for each class of asset

Class	Fair value measured at
Land	Market selling price
Buildings	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost
Property, plant and equipment	Depreciated replacement cost
Heritage and cultural	Market selling price or depreciated replacement cost

Expected useful lives are estimated in the calculation of accumulated depreciation and amortisation and the associated expense.

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 NFSA using 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. Land is not depreciated.

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

Asset Class	2017	2016
Buildings on freehold land	33 to 69 years	33 to 69 years
Leasehold improvements	Lease term	Lease term
Property, plant and equipment	1 to 10 years	1 to 10 years
Heritage and cultural	10 to 126 years	10 to 126 years

## NOTE 2: FINANCIAL POSITION (Continued)

### 2.2: Non-Financial Assets (Continued)

#### Impairment

All assets were assessed for impairment at 30 June 2017 and no impairment was identified. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the NFSA 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 NFSA has a historic and culturally significant collection. The collection includes the first film images and sounds recorded in Australia in the 1890s right through to the most recent high profile film and sound recordings. The collection is spread across the broad range of audio-visual material and includes Australian feature length films and select commercial sound recordings, a selection of short films, television works, radio programs, associated documents and artefacts.

In addition to the heritage and cultural assets disclosed in the financial statements, the NFSA also holds items on deposit on behalf of the owners and items which have yet to be accepted into the collection. The items held on deposit are not recognised as assets in the financial statements as the NFSA does not control these items. The items yet to be formally accepted into the collection are not recognised as assets in the financial statements as the cost of these items cannot be reliably measured until they are evaluated and accepted into the collection.

#### Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the NFSA's software are 3 to 5 years (2016: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

## NOTE 2: FINANCIAL POSITION (Continued)

	2017	2016
	\$'000	\$'000
<b>2.2: Non-Financial Assets (Continued)</b>		
<b>2.2B: Inventories</b>		
Inventories held for sale: finished goods	52	43
Inventories held for distribution	531	531
<b>Total inventories</b>	<b>583</b>	<b>574</b>

During 2017, \$5,753 of inventory held for sale was recognised as an expense (2016: \$10,602).

During 2017, \$174,547 of inventory held for distribution was recognised as an expense (2016: \$150,369).

### ACCOUNTING POLICY

#### Inventories

Inventories held for sale in the NFSA's online shop are valued at the lower of cost and net realisable value.

Inventories held for distribution, for example raw materials, chemicals and tapes, are valued at cost, adjusted for any loss of service potential.

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

- a) raw materials and stores – purchase cost on a first-in-first-out basis, and
- b) finished goods and work-in-progress – cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

#### 2.2C: Other Non-Financial Assets

Prepayments	298	345
Operating lease prepayments	16	60
<b>Total other non-financial assets</b>	<b>314</b>	<b>405</b>

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

### 2.3: Payables

#### 2.3A: Suppliers

Trade creditors and accruals	947	961
Operating lease rentals	-	19
<b>Total suppliers</b>	<b>947</b>	<b>980</b>

Settlement of payables is usually made within 30 days.

## NOTE 2: FINANCIAL POSITION (Continued)

	2017	2016
	\$'000	\$'000
<b>2.3: Payables (Continued)</b>		
<b>2.3B: Other Payables</b>		
Salaries and wages	91	58
Superannuation	18	9
FBT Liability	7	-
Other liabilities	10	7
Lease incentives	9	4
<b>Total other payables</b>	<b>135</b>	<b>78</b>

### ACCOUNTING POLICY

#### Financial liabilities

Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).

Suppliers and Other Payables are recognised at amortised cost. Carrying amounts approximate fair value.

### 2.4: Other Provisions

#### 2.4A: Other Provisions

Provision for restoration obligations	160	203
Rent payable provision	37	-
<b>Total other provisions</b>	<b>197</b>	<b>203</b>
<b>Carrying amount 1 July 2016</b>	<b>203</b>	<b>173</b>
Amounts used/additional provisions made	(6)	30
<b>Closing balance 30 June 2017</b>	<b>197</b>	<b>203</b>

### ACCOUNTING POLICY

#### Provision for restoration obligations

The NFSA currently has lease agreements for the leasing of premises which have provisions requiring the NFSA to restore the premises to their original condition at the conclusion of the lease. The NFSA has made a provision to reflect the present value of this obligation.

## NOTE 3: FUNDING

This section identifies the NFSA's funding structure.

	2017	2016
	\$'000	\$'000
<b>3.1. Net Cash Appropriation Arrangements</b>		
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations <sup>1</sup>	4,317	23,594
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(5,303)	(5,853)
<b>Total comprehensive income – as per the Statement of Comprehensive Income</b>	<b>(986)</b>	<b>17,741</b>

1. From 2010–11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

## NOTE 4: 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.

	2017	2016
	\$'000	\$'000
<b>4.1: Employee Provisions</b>		
<b>4.1A: Employee Provisions</b>		
Leave	3,669	3,125
Separations and redundancies	20	394
<b>Total employee provisions</b>	<b>3,689</b>	<b>3,519</b>

### 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 the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

#### Leave

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

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 NFSA'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 Department of Finance shorthand method as prescribed in the FRRs. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Separation and Redundancy

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

#### Superannuation

Staff of the NFSA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), 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 NFSA makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The NFSA accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

## NOTE 4: PEOPLE AND RELATIONSHIPS (Continued)

	2017	2016
	\$	\$
<b>4.2: Key Management Personnel Remuneration</b>		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NFSA, directly or indirectly, including any NFSA Board member (whether executive or otherwise). The NFSA has determined the key management personnel to be the Portfolio Minister, Chairperson of the NFSA Board, the Deputy Chairperson of the NFSA Board, all other non-executive members of the NFSA Board, the Chief Executive Officer, the Chief Financial Officer/Chief Operating Officer and the General Manager, Collections. Key management personnel remuneration is reported in the table below:		
<b>Short-term employee benefits:</b>		
Salary	766,156	724,495
Motor vehicle and other allowances	6,591	7,933
<b>Total short-term employee benefits</b>	<b>772,747</b>	<b>732,428</b>
<b>Post-employment benefits:</b>		
Superannuation	350,030	112,426
<b>Total post-employment benefits</b>	<b>350,030</b>	<b>112,426</b>
<b>Other long-term benefits:</b>		
Annual leave	48,795	47,910
Long-service leave	15,641	15,358
<b>Total other long-term employee benefits</b>	<b>64,436</b>	<b>63,268</b>
<b>Total key management remuneration expenses<sup>1</sup></b>	<b>1,187,213</b>	<b>908,122</b>

### Notes:

The total number of key management personnel included in the table above are 3 NFSA Executives and 8 Non-Executive Board members (2016: 3 Executives and 5 Non-Executive Board members).

- 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 NFSA.

### 4.3: Related Party Disclosures

#### Related party relationships

The NFSA is an Australian Government controlled entity. Related parties to this entity are the NFSA Board members, Key Management Personnel including the Executive, 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. These transactions have not been separately disclosed in this note.

There were no transactions with related parties during the financial year other than as disclosed elsewhere in the financial statements.

## **NOTE 5: MANAGING UNCERTAINTIES**

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

### **5.1: Contingent Assets and Liabilities**

The NFSA has no quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2017 (2016:nil).