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INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications and the Arts

Opinion

In my opinion, the financial statements of the National Film and Sound Archive, for the year ended 30 June 2018:

- (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 2018 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 2018 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
- Overview, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the National Film and Sound Archive, the Board is 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 Board is also responsible for such internal control as the Board determines 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 Board is 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 Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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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 Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with 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



Josephine Bushell
Senior Director
Delegate of the Auditor-General
Canberra
21 September 2018

National Film and Sound Archive of Australia

Statement by the Chairperson, Chief Executive Officer and Chief Financial Officer

for the period ended 30 June 2018

In our opinion, the attached financial statements for the year ended 30 June 2018 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
19 September 2018



Jan Müller
Chief Executive Officer
19 September 2018



Denise Cardew-Hall FCA
Chief Operating Officer and Chief Financial Officer
19 September 2018

Statement of Comprehensive Income
for the period ended 30 June 2018

		2018	2017	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	16,316	15,941	15,960
Suppliers	1.1B	7,325	6,828	8,141
Depreciation and amortisation	2.2A	13,422	10,547	9,434
Write-down and impairment of assets	2.2A	56	237	-
Losses from asset sales		-	14	-
Total expenses		37,119	33,567	33,535
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services		901	700	686
Interest on held to maturity investments		488	159	109
Royalties		188	195	344
Other revenue		686	358	441
Total own-source revenue		2,263	1,412	1,580
Gains				
Donations of gifted collection	2.2A	3,594	3,870	4,560
Revaluation increments		157	716	-
Other gains		4	69	-
Total gains		3,755	4,655	4,560
Total own-source income		6,018	6,067	6,140
Net cost of services		31,101	27,500	27,395
Revenue from Government	1.2A	24,028	24,416	24,308
Deficit attributable to the Australian Government		(7,073)	(3,084)	(3,087)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		407	2,098	-
Total comprehensive loss		(6,666)	(986)	(3,087)

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

Budget Variances Commentary for the Statement of Comprehensive Income

The deficit is \$4 million higher than the original budget amount.

Supplier expenses are lower than budget as a result of the capitalisation of expenditure relating to the internal development of heritage and cultural items and more prudent expenditure practices.

Sales of goods and services is higher than budget due to a higher than expected level of requests for access to the collection material.

Interest is higher than budget. The revenue from Government from the Department of Communications and the Arts was received at the beginning of the financial year and was invested by the NFSA in term deposits until required for employee or supplier payments. This practice was not anticipated at the time of setting the budget.

Royalties is lower than anticipated. The value of royalties is difficult to forecast as it is dependent entirely on the level of demand for NFSA owned material.

Other revenue is higher than budget as a grant was received from the Department of Communications and the Arts that was not anticipated at the time of setting the budget.

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 \$4.6 million was included in the original budget, while the actual value of \$3.6 million, in accordance with the valuation policy, was determined as the items were accessioned into the collection, \$1 million lower than the budgeted amount.

Depreciation and amortisation expense is higher by \$4 million as a result of an increase in depreciation rates, due to a reduction in the estimated remaining useful life of the magnetic tape part of the Heritage and Cultural audio-visual collection.

Statement of Financial Position
as at 30 June 2018

		2018	2017	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents		2,053	1,293	1,373
Trade and other receivables		348	190	160
Other investments	2.1A	6,000	6,000	4,000
Other financial assets		-	-	16
Total financial assets		8,401	7,483	5,549
Non-financial assets				
Land	2.2A	6,050	6,050	6,050
Buildings	2.2A	27,109	28,155	26,829
Heritage and cultural	2.2A	247,344	250,908	247,521
Plant and equipment	2.2A	6,211	6,321	8,737
Computer software	2.2A	1,631	2,035	1,699
Licences	2.2A	51	33	-
Inventories	2.2B	589	583	574
Prepayments		245	314	299
Total non-financial assets		289,230	294,399	291,709
Total assets		297,631	301,882	297,258
LIABILITIES				
Payables				
Suppliers	2.3A	1,225	947	190
Other payables		153	135	60
Total payables		1,378	1,082	250
Provisions				
Employee provisions	4.1A	3,899	3,689	3,044
Other provisions	2.4A	304	197	250
Total provisions		4,203	3,886	3,294
Total liabilities		5,581	4,968	3,544
Net assets		292,050	296,914	293,714
EQUITY				
Contributed equity		219,372	217,570	219,372
Reserves		68,963	68,556	66,458
Retained surplus		3,715	10,788	7,884
Total equity		292,050	296,914	293,714

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

Budget Variances Commentary for the Statement of Financial Position

Total assets are consistent with budget. There was a lower than expected spend on plant and equipment of \$2.5 million. This relates to long term projects the timing of which was not certain when establishing the budget. This spend is expected to occur in the 2018-19 financial year.

Cash and investments is higher than budget by \$2.7 million as a result of the lower than expected spend on plant and equipment.

Requests for access to the collection material which occurred close to financial year end resulted in higher than expected trade receivables. Other receivables is higher than budget due to the inclusion of GST receivable on the accrued suppliers (as explained below).

Employee provisions is higher than budget as the original budget did not include annual leave and long service leave on costs.

Accrued supplier expense is \$1 million higher than budget due to the timing of many projects which were completed just prior, or are work in progress, at year end. A proportion of the accrual balance relates to progress payments.

Total equity is lower than budget by \$1.7 million due to a higher than expected deficit as a result of increased depreciation on the Heritage and Cultural collection.

Statement of Changes in Equity
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		217,570	216,756	217,570
Adjusted opening balance		<u>217,570</u>	<u>216,756</u>	<u>217,570</u>
Contributions by owners				
Equity injection - Appropriation		1,802	814	1,802
Total transactions with owners		<u>1,802</u>	<u>814</u>	<u>1,802</u>
Closing balance as at 30 June		<u>219,372</u>	<u>217,570</u>	<u>219,372</u>
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		10,788	13,872	10,971
Adjusted opening balance		<u>10,788</u>	<u>13,872</u>	<u>10,971</u>
Comprehensive income				
Deficit for the period		(7,073)	(3,084)	(3,087)
Total comprehensive income		<u>(7,073)</u>	<u>(3,084)</u>	<u>(3,087)</u>
Closing balance as at 30 June		<u>3,715</u>	<u>10,788</u>	<u>7,884</u>
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period		68,556	66,458	66,458
Adjusted opening balance		<u>68,556</u>	<u>66,458</u>	<u>66,458</u>
Comprehensive income				
Other comprehensive income - movements in property, plant and equipment	2.2A	563	2,814	-
Other comprehensive income - realisation of reserve amounts on disposal of assets		(156)	(716)	-
Total comprehensive income		<u>407</u>	<u>2,098</u>	<u>-</u>
Closing balance as at 30 June		<u>68,963</u>	<u>68,556</u>	<u>66,458</u>
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period		296,914	297,086	294,999
Adjusted opening balance		<u>296,914</u>	<u>297,086</u>	<u>294,999</u>
Comprehensive income				
Other comprehensive income - movements in property, plant and equipment		563	2,814	-
Other comprehensive income - realisation of reserve amounts on disposal of assets		(156)	(716)	-
Deficit for the period		(7,073)	(3,084)	(3,087)
Total comprehensive income		<u>(6,666)</u>	<u>(986)</u>	<u>(3,087)</u>
Contributions by owners				
Equity injection - Appropriation		1,802	814	1,802
Total transactions with owners		<u>1,802</u>	<u>814</u>	<u>1,802</u>
Closing balance as at 30 June		<u>292,050</u>	<u>296,914</u>	<u>293,714</u>

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

Statement of Changes in Equity (Continued)**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 2018

	2018	2017	Original Budget
Notes	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	24,028	24,416	24,308
Sales of goods and rendering of services	851	879	759
Royalties	187	195	378
Donations	4	69	-
GST received	136	759	711
Other	686	382	441
Total cash received	25,892	26,700	26,597
Cash used			
Employees	17,062	16,666	15,960
Suppliers	7,234	7,777	8,950
GST paid	21	-	-
Total cash used	24,317	24,443	24,910
Net cash from operating activities	1,575	2,257	1,687
INVESTING ACTIVITIES			
Cash received			
Interest	487	186	109
Other investments	25,200	-	-
Total cash received	25,687	186	109
Cash used			
Purchase of property, plant and equipment, software and heritage and cultural assets	3,104	3,245	3,402
Other investments	25,200	500	-
Total cash used	28,304	3,745	3,402
Net cash used by investing activities	2,617	3,559	3,293
FINANCING ACTIVITIES			
Cash received			
Contributed equity	1,802	814	1,802
Total cash received	1,802	814	1,802
Net cash from financing activities	1,802	814	1,802
Net increase (decrease) in cash held	760	(488)	196
Cash and cash equivalents at the beginning of the reporting period	1,293	1,781	1,177
Cash and cash equivalents at the end of the reporting period	2,053	1,293	1,373

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

Budget Variances Commentary

During 2018 there was \$25.2 million cash used, and then \$25.2 million cash received for other investments. This is the revenue from Government from the Department of Communications and the Arts which was received at the beginning of the financial year and was invested by the NFSA in term deposits until required for employee or supplier payments.

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 results or the financial position. The financial statements are presented in Australian dollars.

Taxation

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

Events After the Reporting Period

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

Financial Performance

This section analyses the financial performance of the NFSA for the year ended 30 June 2018.

1.1. Expenses

	2018 \$'000	2017 \$'000
1.1A: Employee Benefits		
Wages and salaries	11,945	11,445
Superannuation:		
Defined contribution plans	1,184	1,366
Defined benefit plans	1,180	1,196
Leave and other entitlements	1,536	1,899
Separation and redundancies	391	20
Other employee benefits	80	15
Total employee benefits	16,316	15,941

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	512	642
Contractors	89	128
Travel	359	301
IT services	1,497	1,299
Advertising and marketing	182	117
Property operating expenses	2,086	2,039
Financial statement audit services	60	60
Other	1,385	979
Total goods and services supplied or rendered	6,170	5,565

Other suppliers

Operating lease rentals	1,049	1,039
Workers compensation expenses	106	224
Total other suppliers	1,155	1,263
Total suppliers	7,325	6,828

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.

Operating lease commitments

Within 1 year	805	911
Between 1 to 5 years	620	2,742
Total operating lease commitments	1,425	3,653

1.1: Expenses (continued)

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

	2018 \$'000	2017 \$'000
Own-Source Revenue		
1.2A: Revenue from Government		
Department of Communications and the Arts		
Corporate Commonwealth entity payment item	<u>24,028</u>	<u>24,416</u>
Total revenue from Government	<u>24,028</u>	<u>24,416</u>

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:

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

Interest revenue

Interest revenue is recognised using the effective interest method.

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.

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.

2018

2017

\$'000

\$'000

2.1A: Other Investments

i

6,000

6,000

Total other investments

6,000

6,000

i

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

Accounting Policy

Cash

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

- a) cash on hand; and
- b) 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.

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 2018 (2017: nil).

2.2: Non-Financial Assets

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

	Land \$'000	Buildings and leasehold improvements ³ \$'000	Heritage and cultural ¹ \$'000	Plant & equipment ³ \$'000	Computer software ² \$'000	Licences \$'000	Total \$'000
As at 1 July 2017							
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)
Total as at 1 July 2017	6,050	28,155	250,908	6,321	2,035	33	293,502
Additions:							
Purchase	-	210	911	660	172	-	1,953
Work in progress	-	347	-	530	275	-	1,152
Donation/gift	-	-	3,594	-	-	-	3,594
Internally developed	-	-	1,110	-	-	-	1,110
Revaluations and impairments recognised in other comprehensive income	-	-	563	-	-	-	563
Reclassifications	-	-	-	-	(47)	47	-
Depreciation and amortisation	-	(1,595)	(9,742)	(1,266)	(790)	(29)	(13,422)
Disposals/write-downs	-	(8)	-	(34)	(14)	-	(56)
Total as at 30 June 2018	6,050	27,109	247,344	6,211	1,631	51	288,396
Total as at 30 June 2018 represented by:							
Gross book value	6,050	30,308	262,389	9,182	4,852	135	312,916
Accumulated depreciation, amortisation and impairment	-	(3,199)	(15,045)	(2,971)	(3,221)	(84)	(24,520)
Total as at 30 June 2018	6,050	27,109	247,344	6,211	1,631	51	288,396

1. 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 \$1,081,000 of purchased software and \$550,000 of internally generated software.

3. The contractual commitments for the acquisition of property, plant and equipment include \$680,259 for replacement chiller and \$158,354 for building stonework conservation.

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 2018.

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	Current replacement cost
Leasehold improvements	Current replacement cost
Property, plant and equipment	Current replacement cost
Heritage and cultural	Market selling price or current 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	2018	2017
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	8 to indefinite	10 to 126 years

Following the release of the NFSA's Digitisation Strategy 2018-25 (<https://www.nfsa.gov.au/footer/corporate-information/publications/digitisation-strategy>) and a review of the accounting policy and methodology used for the valuation of the NFSA's heritage and cultural collection, the NFSA made changes to the following estimates:

- The useful life for magnetic tape was reduced as at 1 July 2017 to 8 years (from 30-100 years). The large scale digitisation of magnetic media is not expected to be supported past 2025.
- The useful life of digital items was changed from 10 years to indefinite, based on the ability of the NFSA to continually migrate content to contemporary digital formats.

2.2: Non-Financial Assets (continued)

Impairment

All assets were assessed for impairment at 30 June 2018 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 current 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 representing moving image and sound production from its earliest days to the present. Drama, actuality and documentary, creative arts, social and scientific history, comedy, experimental and unique amateur audiovisual records are all represented. Formats span the analogue era, from the nitrate film and wax cylinders of the earliest days through to the many format iterations of the twentieth century (acetate and vinyl discs, audiotape, CDs, polyester film, broadcast video tape and various home movie formats). Into the digital age, the collection includes the latest digital files produced by today's media creators and professionals. Documentation and artefacts also form a large part of the collection, including stills, scripts, posters, manuscript collections, media industry oral history interviews, costumes and vintage equipment.

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.

Preservation of the collection is fundamental to its permanent availability to all Australians. The NFSA's Collection Policy 2017 sets out the guiding principles for the development, preservation and sharing of the collection. The Collection Policy 2017 can be found on the NFSA's website at <https://www.nfsa.gov.au/corporate-information/publications/collection-policy>.

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 (2017: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

2.2: Non-Financial Assets (continued)		
	2018 \$'000	2017 \$'000
<u>2.2B: Inventories</u>		
Inventories held for sale: finished goods	33	52
Inventories held for distribution	556	531
Total inventories	589	583
During 2018 \$1,322 of inventory held for sale was recognised as an expense (2017: \$5,753). During 2018 \$150,805 of inventory held for distribution was recognised as an expense (2017: \$174,547).		
Accounting Policy		
<u>Inventories</u> 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.		
2.3: Payables		
<u>2.3A: Suppliers</u>		
Trade creditors and accruals	1,225	947
Total suppliers	1,225	947
Settlement of payables is usually made within 30 days.		
Accounting Policy		
<u>Financial liabilities</u> 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		
	2018 \$'000	2017 \$'000
<u>2.4A: Other Provisions</u>		
Provision for restoration obligations	267	160
Rent payable provision	37	37
Total other provisions	304	197
Carrying amount 1 July 2017	197	203
(Amounts used)/additional provisions made	107	(6)
Closing balance 30 June 2018	304	197
Accounting Policy		
<u>Provision for restoration obligations</u> 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.		

Funding		This section identifies the NFSA's funding structure.	
3.1. Net Cash Appropriation Arrangements			
	2018	2017	
	\$'000	\$'000	
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations ¹	3,076	4,317	
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(9,742)	(5,303)	
Total comprehensive income - as per the Statement of	(6,666)	(986)	
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.			

People and Relationships

4.1: Employee Provisions

	2018 \$'000	2017 \$'000
4.1A: Employee Provisions		
Leave	3,899	3,669
Separations and redundancies	-	20
Total employee provisions	3,899	3,689

Accounting Policy

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

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

4.2: Key Management Personnel Remuneration

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 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 Operating Officer/Chief Financial Officer and the General Manager and Access, Collections. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$	\$
Short-term employee benefits:		
Salary	730,303	766,156
Motor vehicle and other allowances	7,059	6,591
Total short-term employee benefits	737,362	772,747
Post-employment benefits:		
Superannuation	112,056	350,030
Total post-employment benefits	112,056	350,030
Other long-term benefits:		
Annual leave	37,716	48,795
Long-service leave	12,090	15,641
Total other long-term employee benefits	49,806	64,436
Total key management remuneration expenses¹	899,224	1,187,213

Notes:

The total number of key management personnel included in the table above are 3 NFSA Executives and 9 Non-Executive Board members (2017: 3 Executives and 8 Non-Executive Board members).

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

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 2018 (2017: nil).