

# 5

- FINANCIAL STATEMENTS -



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Minister for the Arts**

I have audited the accompanying annual financial statements of the National Film and Sound Archive of Australia for the year ended 30 June 2016, which comprise:

- Statement by the Director, Chief Executive and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes comprising an Overview, Summary of Significant Accounting Policies and other explanatory information.

### ***Opinion***

In my opinion, the financial statements of the National Film and Sound Archive of Australia:

- (a) comply with Australian Accounting Standards 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 of Australia as at 30 June 2016 and its financial performance and cash flows for the year then ended.

### ***Accountable Authority's Responsibility for the Financial Statements***

The Director and Chief Executive of the National Film and Sound Archive of Australia 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 and the rules made under that Act and are also responsible for such internal control as 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

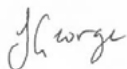
considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

***Independence***

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

Australian National Audit Office

A handwritten signature in cursive script that reads "J. George".

Jodi George  
Audit Principal

Delegate of the Auditor-General

Canberra  
22 September 2016

**STATEMENT BY THE DIRECTOR, CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER**  
for the period ended 30 June 2016

In our opinion, the attached financial statements for the year ended 30 June 2016 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 will be able to pay its debts as and when they fall due.

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



**Gabrielle Trainor**  
Chairperson  
22 September 2016



**Michael Loebenstein**  
Chief Executive Officer  
22 September 2016



**Denise Cardew-Hall FCA**  
Chief Financial Officer  
22 September 2016

# STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2016

		2016	2015
	Notes	\$'000	\$'000
<b>Net Cost Of Services</b>			
<b>Expenses</b>			
Employee benefits	2A	16,810	15,190
Suppliers	2B	6,418	6,982
Depreciation and amortisation	2C	8,951	8,370
Finance costs	2D	4	7
Write-down and impairment of assets	2E	-	24
<b>Total expenses</b>		<b>32,183</b>	<b>30,573</b>
<b>Less: Own-Source Income</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	3A	776	940
Interest	3B	236	157
Royalties	3C	356	516
Other revenue	3D	312	264
<b>Total own-source revenue</b>		<b>1,680</b>	<b>1,877</b>
<b>Gains</b>			
Donations of gifted collection	3E	4,560	5,893
Other gains	3E	74	-
<b>Total gains</b>		<b>4,634</b>	<b>5,893</b>
<b>Total own-source income</b>		<b>6,314</b>	<b>7,770</b>
<b>Net cost of services</b>		<b>25,869</b>	<b>22,803</b>
Revenue from Government	3F	25,408	25,929
<b>Surplus (Deficit) attributable to the Australian Government</b>		<b>(461)</b>	<b>3,126</b>
<b>Other Comprehensive Income</b>			
Changes in asset revaluation surplus		18,202	-
<b>Total comprehensive income attributable to the Australian Government</b>		<b>17,741</b>	<b>3,126</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

		2016	2015
	Notes	\$'000	\$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4A	1,781	1,247
Trade and other receivables	4B	266	225
Other investments	4C	5,500	5,500
<b>Total financial assets</b>		<b>7,547</b>	<b>6,972</b>
<b>Non-financial assets</b>			
Land and buildings	6A	35,555	37,185
Property, plant and equipment	6B	6,562	6,282
Heritage and cultural	6C	249,019	230,569
Intangibles	6E	2,204	2,212
Inventories	6G	574	542
Other non-financial assets	6H	405	776
<b>Total non-financial assets</b>		<b>294,319</b>	<b>277,566</b>
<b>Total assets</b>		<b>301,866</b>	<b>284,538</b>
<b>Liabilities</b>			
<b>Payables</b>			
Suppliers	7A	980	1,281
Other payables	7B	472	876
<b>Total payables</b>		<b>1,452</b>	<b>2,157</b>
<b>Provisions</b>			
Employee provisions	8A	3,125	3,680
Other provisions	8B	203	173
<b>Total provisions</b>		<b>3,328</b>	<b>3,853</b>
<b>Total liabilities</b>		<b>4,780</b>	<b>6,010</b>
<b>Net assets</b>		<b>297,086</b>	<b>278,528</b>
<b>Equity</b>			
Contributed equity		216,756	215,939
Reserves		66,458	48,256
Retained surplus		13,872	14,333
<b>Total equity</b>		<b>297,086</b>	<b>278,528</b>

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

# STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2016

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>								
Balance carried forward from previous period	<b>14,333</b>	11,207	<b>48,256</b>	48,256	<b>215,939</b>	215,115	<b>278,528</b>	274,578
<b>Adjusted opening balance</b>	<b>14,333</b>	11,207	<b>48,256</b>	48,256	<b>215,939</b>	215,115	<b>278,528</b>	274,578
<b>Comprehensive income</b>								
Other comprehensive income	-	-	<b>18,202</b>	-	-	-	<b>18,202</b>	-
Surplus for the period	<b>(461)</b>	3,126	-	-	-	-	<b>(461)</b>	3,126
<b>Total comprehensive income</b>	<b>(461)</b>	3,126	<b>18,202</b>	-	-	-	<b>17,741</b>	3,126
<b>Contributions by owners</b>								
Equity injection - Appropriation	-	-	-	-	<b>817</b>	824	<b>817</b>	824
<b>Total transactions with owners</b>	-	-	-	-	<b>817</b>	824	<b>817</b>	824
<b>Closing balance as at 30 June</b>	<b>13,872</b>	14,333	<b>66,458</b>	48,256	<b>216,756</b>	215,939	<b>297,086</b>	278,528

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

## ACCOUNTING POLICY

### Equity injections

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

# CASH FLOW STATEMENT

for the period ended 30 June 2016

		2016	2015
	Notes	\$'000	\$'000
<b>Operating Activities</b>			
<b>Cash received</b>			
Receipts from Government		25,408	25,929
Sales of goods and rendering of services		760	1,016
Interest		192	135
Royalties		356	792
Donations		27	-
Net GST received		662	698
Other		358	-
<b>Total cash received</b>		<b>27,763</b>	<b>28,570</b>
<b>Cash used</b>			
Employees		17,365	18,354
Suppliers		7,396	6,545
<b>Total cash used</b>		<b>24,761</b>	<b>24,899</b>
<b>Net cash from operating activities</b>	9	<b>3,002</b>	<b>3,671</b>
<b>Investing Activities</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment, software and heritage and cultural assets		3,285	2,195
Other investments		-	3,500
<b>Total cash used</b>		<b>3,285</b>	<b>5,695</b>
<b>Net cash used by investing activities</b>		<b>3,285</b>	<b>5,695</b>
<b>Financing Activities</b>			
<b>Cash received</b>			
Contributed equity		817	824
<b>Total cash received</b>		<b>817</b>	<b>824</b>
<b>Net cash from financing activities</b>		<b>817</b>	<b>824</b>
<b>Net increase (decrease) in cash held</b>		<b>534</b>	<b>(1,200)</b>
Cash and cash equivalents at the beginning of the reporting period		1,247	2,447
<b>Cash and cash equivalents at the end of the reporting period</b>	4A	<b>1,781</b>	<b>1,247</b>

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



# OVERVIEW

## Objectives of the National Film and Sound Archive of Australia

The NFSA is an Australian Government controlled entity and a not for profit entity. The objective of the NFSA is to develop, preserve and present Australia's national audio-visual collection and other related collections and make them available to all Australians.

The NFSA is structured to meet the following outcome:

### Outcome 1:

Increased engagement with Australia's audiovisual culture past and present through developing, preserving, maintaining and promoting the national audiovisual collection of historic and cultural significance.

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

## 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) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply to 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.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the NFSA or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities that are unrecognised are reported in the Contingent Assets and Liabilities note.

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

## New Australian Accounting Standards

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

## 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 was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the NFSA.

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## NOTE 1: NET CASH APPROPRIATION ARRANGEMENTS

	2016	2015
	\$'000	\$'000
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations <sup>1</sup>	23,594	7,869
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(5,853)	(4,743)
<b>Total comprehensive income - as per the Statement of Comprehensive Income</b>	<b>17,741</b>	<b>3,126</b>

<sup>1</sup> 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 2: EXPENSES

	2016	2015
	\$'000	\$'000
<b>Note 2A: Employee Benefits</b>		
Wages and salaries	11,400	11,777
Superannuation:		
Defined contribution plans	1,373	1,081
Defined benefit plans	1,244	1,131
Leave and other entitlements	1,616	996
Separation and redundancies	1,080	143
Other employee benefits	97	62
<b>Total employee benefits</b>	<b>16,810</b>	<b>15,190</b>

### ACCOUNTING POLICY

Refer to notes 7 and 8 for details of accounting policies.

### Note 2B: Suppliers

#### Goods and services supplied or rendered

Consultants	611	396
Contractors	58	198
Travel	364	346
IT services	1,026	1,038
Advertising and marketing	88	135
Property operating expenses	1,578	2,822
Other	1,301	850
<b>Total goods and services supplied or rendered</b>	<b>5,026</b>	<b>5,785</b>

#### Other suppliers

Operating lease rentals - Minimum lease payments	1,118	925
Workers compensation expenses	274	272
<b>Total other supplier</b>	<b>1,392</b>	<b>1,197</b>
<b>Total suppliers</b>	<b>6,418</b>	<b>6,982</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.

The NFSA has operating leases for office accommodation, collection storage, motor vehicles 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.

#### 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.

## NOTE 2: EXPENSES (Continued)

### Note 2B: Suppliers (Continued)

#### ACCOUNTING POLICY (Continued)

##### Lease for motor vehicles

Lease payments are fixed over the life of the lease. Lease agreements provide motor vehicles for the use of NFSA employees for work purposes only. Motor vehicle leases are for a period of 3 years.

##### 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.

	2016	2015
	\$'000	\$'000
<b>Operating lease commitments</b>		
Within 1 year	908	880
Between 1 to 5 years	1,814	989
More than 5 years	-	19
<b>Total operating lease commitments</b>	<b>2,722</b>	<b>1,888</b>

### Note 2C: Depreciation and Amortisation

#### Depreciation

Property, plant and equipment	1,453	1,810
Buildings	1,233	1,403
Heritage and cultural	5,813	4,705
<b>Total depreciation</b>	<b>8,499</b>	<b>7,918</b>

#### Amortisation

Intangibles	452	452
<b>Total amortisation</b>	<b>452</b>	<b>452</b>
<b>Total depreciation and amortisation</b>	<b>8,951</b>	<b>8,370</b>

#### ACCOUNTING POLICY

##### 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.

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

Asset Class	2016	2015
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: EXPENSES (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 2D: Finance Costs</b>		
Unwinding of discount <sup>1</sup>	4	7
<b>Total finance costs</b>	<b>4</b>	<b>7</b>

<sup>1</sup> Unwinding of discount relates to the provision for restoration obligations. Refer to Note 8B.

<b>Note 2E: Write-Down and Impairment of Assets</b>		
<b>Asset write-downs and impairments from</b>		
Write-down of property, plant and equipment	-	24
<b>Total write-down and impairment of assets</b>	<b>-</b>	<b>24</b>

### ACCOUNTING POLICY

#### Impairment

All assets were assessed for impairment at 30 June 2016 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.

## NOTE 3: OWN-SOURCE REVENUE AND GAINS

	2016	2015
	\$'000	\$'000
<b>Note 3A: Sale of Goods and Rendering of Services</b>		
Sale of goods	103	121
Rendering of services	673	819
<b>Total sale of goods and rendering of services</b>	<b>776</b>	<b>940</b>

### ACCOUNTING POLICY

#### Revenue from the sale of goods

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the NFSA retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the NFSA.

#### 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.

### Note 3B: Interest

Deposits	236	157
<b>Total interest</b>	<b>236</b>	<b>157</b>

### ACCOUNTING POLICY

#### Interest revenue

Interest revenue is recognised using the effective interest method.

### Note 3C: Royalties

Royalties	356	516
<b>Total royalties</b>	<b>356</b>	<b>516</b>

### ACCOUNTING POLICY

#### Revenue from royalties

Revenue from royalties is recognised when:

- the amount of revenue can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the NFSA.

## NOTE 3: OWN-SOURCE REVENUE AND GAINS (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 3D: Other Revenue</b>		
Grants and sponsorships	53	150
Other	259	114
<b>Total other revenue</b>	<b>312</b>	<b>264</b>

<b>Note 3E: Gains</b>		
Donations of gifted collections	4,560	5,893
Other gains	74	-
<b>Total gains</b>	<b>4,634</b>	<b>5,893</b>

### ACCOUNTING POLICY

#### Gains

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.

### Note 3F: Revenue from Government

Attorney General's Department		
Corporate entity payment item	11,900	25,929
Department of Communications and the Arts		
Corporate entity payment item	13,508	-
<b>Total revenue from Government</b>	<b>25,408</b>	<b>25,929</b>

### ACCOUNTING POLICY

#### Revenue from Government

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



## NOTE 4: FINANCIAL ASSETS

### ACCOUNTING POLICY

#### Financial assets

The NFSA classifies its financial assets in the following categories:

- a) held-to-maturity investments; and
- b) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

	2016	2015
	\$'000	\$'000
<b>Note 4A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	1,781	1,247
<b>Total cash and cash equivalents</b>	<b>1,781</b>	<b>1,247</b>

### 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.

## NOTE 4: FINANCIAL ASSETS (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 4B: Trade and Other Receivables</b>		
Goods and services receivable	135	41
Other receivables:		
GST receivable from the Australian Taxation Office (net)	65	163
Interest	42	21
Other	24	-
<b>Total other receivables</b>	<b>131</b>	<b>184</b>
<b>Total trade and other receivables (gross)</b>	<b>266</b>	<b>225</b>
<b>Total trade and other receivables (net)*</b>	<b>266</b>	<b>225</b>

\*No more than 12 months

### Trade and other receivables are aged as follows:

Not overdue		
Overdue by:	195	206
0 to 30 days	15	12
31 to 60 days	1	3
61 to 90 days	28	4
More than 90 days	27	-
<b>Total trade and other receivables (gross)</b>	<b>266</b>	<b>225</b>

## 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 2016.

### Note 4C: Other Investments

Deposits <sup>i</sup>	5,500	5,500
<b>Total other investments*</b>	<b>5,500</b>	<b>5,500</b>

\*Settlement expected in no more than 12 months

<sup>i</sup> Term deposits are currently held with IMB for various balances with varying maturities greater than 30 days.

## ACCOUNTING POLICY

### Held-to-Maturity Investments

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

## NOTE 5: FAIR VALUE MEASUREMENTS

### ACCOUNTING POLICY

#### Fair values measurements

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

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

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

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

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

At 30 June 2016, land and buildings, property, plant and equipment, and heritage and cultural assets were valued by an independent valuer to determine their fair values.

## NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

### Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used (Continued)

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value measurements	
	2016	2015	Category (Lvl 1, 2 or 3)	Valuation technique(s)	Inputs used
	\$'000	\$'000			
<b>Non-financial assets</b>					
Land	<b>6,050</b>	6,050	Level 2	Sales comparison (or Market) approach	Sale prices of comparable land, land size, long-term land appreciation rate, and that the land is subject to limitations due to designated zoning.
Buildings on leasehold land	<b>27,837</b>	29,191	Level 3	Depreciated replacement cost	The NFSA buildings are considered specialised purpose built buildings. Cost based on the construction costs using professional appraisals and reflecting the heritage nature of the building.
Leasehold improvements	<b>1,668</b>	1,944	Level 3	Depreciated replacement cost	Considered specialised equipment. Cost based on replacement costs using professional appraisals.

## NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

### Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used (Continued)

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value measurements	
	2016	2015	Category (Lvl 1, 2 or 3)	Valuation technique(s)	Inputs used
	\$'000	\$'000			
Heritage and cultural	<b>220,349</b>	203,113	Level 3	Depreciated replacement cost	Considered specialised equipment. Cost based on replacement costs using professional appraisals.
Heritage and cultural	<b>28,670</b>	27,456	Level 2	Sales Comparison (or Market) approach	Assets valued reflect commonly traded items and the recent sales of similar items
Other property, plant and equipment	<b>6,562</b>	6,282	Level 3	Depreciated replacement cost	Considered specialised and unique. Cost based on replacement costs using professional appraisals.
<b>Total non-financial assets</b>	<b>291,136</b>	274,036			
<b>Total fair value measurements of assets in the statement of financial position</b>	<b>291,136</b>	274,036			

The NFSA has a number of assets and liabilities not measured at fair value in the Statement of Financial Position.

The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

## **NOTE 5: FAIR VALUE MEASUREMENTS (Continued)**

### **Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used (Continued)**

1. The NFSA did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2016.
2. There was no change in valuation technique during the period.

3. Fair value measurements - highest and best use differs from current use for non-financial assets

All non-financial assets values reflect the highest and best use that is physically possible, legally permissible and financially feasible. It should be noted that the:

- > land in Acton is subject to zoning limitations as designated under the National Capital Plan, and
- > the building on Acton land is listed on the Commonwealth Heritage List. These limitations will apply to all market participants.

The highest and best use do not differ from current use of the asset. The highest and best use of all other non-financial assets are the same as their current use.

4. Recurring and non-recurring Level 3 fair value measurements - valuation processes

The NFSA procured valuation services from Pickles Valuation Services and relied on valuation models provided by these valuers. The valuers provided written assurance to the NFSA that the model developed is in compliance with AASB 13.

## NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

### Note 5B: Reconciliation for Recurring Level 3 Fair Value Measurements

#### Recurring Level 3 Fair Value Measurements - Reconciliation For Assets

	Non-financial assets									
	Other property, plant and equipment		Buildings on leasehold land		Leasehold improvements		Heritage and cultural		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July	6,278	6,788	29,191	30,159	1,944	2,251	203,113	200,750	240,526	239,948
Depreciation	(1,453)	(1,810)	(977)	(976)	(256)	(427)	(5,470)	(4,705)	(8,156)	(7,918)
Donations	-	-	-	-	-	-	3,439	5,893	3,439	5,893
Write-down of property, plant and equipment	-	(24)	-	-	-	-	-	-	-	(24)
Asset revaluation	806	-	(399)	-	(20)	-	17,405	-	17,792	-
Purchases	931	1,324	22	8	-	120	773	396	1,726	1,848
Internally generated	-	-	-	-	-	-	1,089	779	1,089	779
<b>Total as at 30 June</b>	<b>6,562</b>	<b>6,278</b>	<b>27,837</b>	<b>29,191</b>	<b>1,668</b>	<b>1,944</b>	<b>220,349</b>	<b>203,113</b>	<b>256,416</b>	<b>240,526</b>

There were no unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period.

#### 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:

- the fair value of land has been taken to be the market value of similar properties as determined by an independent valuer;
- the fair value of buildings and property, plant and equipment has been taken to be the depreciated replacement cost as determined by an independent valuer; and
- the fair value of heritage and cultural assets has been taken to be either the market value of similar items or the depreciated replacement cost as determined by an independent valuer.

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

## NOTE 6: NON-FINANCIAL ASSETS

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

#### Revaluation of non-financial assets

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

	2016	2015
	\$'000	\$'000
<b>Note 6A: Land and Buildings</b>		
<b>Land:</b>		
Fair value	6,050	6,050
<b>Total land</b>	<b>6,050</b>	<b>6,050</b>
<b>Buildings on freehold land:</b>		
Work in progress	92	70
Fair value	27,745	31,037
Accumulated depreciation	-	(1,916)
<b>Total buildings on freehold land</b>	<b>27,837</b>	<b>29,191</b>
<b>Leasehold improvements:</b>		
Fair value	1,668	2,633
Accumulated depreciation	-	(689)
<b>Total leasehold improvements</b>	<b>1,668</b>	<b>1,944</b>
<b>Total buildings and leasehold improvements</b>	<b>29,505</b>	<b>31,135</b>
<b>Total land and buildings</b>	<b>35,555</b>	<b>37,185</b>



## NOTE 6: NON-FINANCIAL ASSETS (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 6B: Property, Plant and Equipment</b>		
<b>Property, plant and equipment:</b>		
Work in progress	485	325
Fair value	6,077	9,533
Accumulated depreciation	–	(3,576)
<b>Total property, plant and equipment</b>	<b>6,562</b>	<b>6,282</b>

### ACCOUNTING POLICY

#### 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.

#### 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.

## NOTE 6: NON-FINANCIAL ASSETS (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 6C: Heritage and Cultural</b>		
<b>Heritage and cultural:</b>		
Fair value	<b>249,019</b>	239,474
Accumulated depreciation	-	(8,905)
<b>Total heritage and cultural</b>	<b>249,019</b>	<b>230,569</b>

### Revaluation of non-financial assets

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

### ACCOUNTING POLICY

#### 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 and 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 program, associated documents and artefacts and new media materials.

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 (registered items). 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.

The Non-Theatrical Screening Licences collection (NTLC) is valued by title rather than by carrier (the remainder of the collection is valued by carrier). If the number of carriers is used to value the NTLC collection, there would be a potential for the collection to increase by \$4.9 million (2015: \$4.9m). The collection is to be reviewed as part of the integration of the collection records into the main cataloguing database. This integration was to be undertaken in 2015-16 and counted using the number of carriers to provide a more accurate count for valuation purposes. However, this has been deferred until 2016-17.

## NOTE 6: NON-FINANCIAL ASSETS (Continued)

### Note 6D: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2016

#### Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment for 2016

	Land	Buildings and leasehold improvements	Total land, buildings and leasehold improvements	Heritage and Cultural <sup>1</sup>	Other property, plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>						
Gross book value	6,050	33,741	39,791	239,474	9,854	289,119
Accumulated depreciation	-	(2,606)	(2,606)	(8,905)	(3,576)	(15,087)
<b>Net book value at 1 July 2015</b>	<b>6,050</b>	<b>31,135</b>	<b>37,185</b>	<b>230,569</b>	<b>6,278</b>	<b>274,032</b>
Additions:						
By purchase	-	-	-	799	771	1,570
Work in progress	-	22	22	-	160	182
By donation/gift	-	-	-	4,560	-	4,560
Internally developed	-	-	-	1,089	-	1,089
Revaluations and impairments recognised in other comprehensive income	-	(419)	(419)	17,815	806	18,202
Depreciation	-	(1,233)	(1,233)	(5,813)	(1,453)	(8,499)
<b>Net book value 30 June 2016</b>	<b>6,050</b>	<b>29,505</b>	<b>35,555</b>	<b>249,019</b>	<b>6,562</b>	<b>291,136</b>
<b>Net book value at 30 June 2016 represented by:</b>						
Gross book value	6,050	29,505	35,555	249,019	6,562	291,136
Accumulated depreciation	-	-	-	-	-	-
<b>Net book value at 30 June 2016</b>	<b>6,050</b>	<b>29,505</b>	<b>35,555</b>	<b>249,019</b>	<b>6,562</b>	<b>291,136</b>

<sup>1</sup> 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.

## NOTE 6: NON-FINANCIAL ASSETS (Continued)

### Note 6D: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2016 (Continued)

#### Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment for 2015

	Land	Buildings and leasehold improvements	Total land, buildings and leasehold improvements	Heritage and Cultural <sup>1</sup>	Other property, plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2014</b>						
Gross book value	6,050	33,613	39,663	232,406	8,572	280,641
Accumulated depreciation and impairment	-	(1,203)	(1,203)	(4,200)	(1,784)	(7,187)
<b>Net book value at 1 July 2014</b>	<b>6,050</b>	<b>32,410</b>	<b>38,460</b>	<b>228,206</b>	<b>6,788</b>	<b>273,454</b>
<b>Additions:</b>						
By purchase	-	244	244	396	1,151	1,791
Work in progress	-	(116)	(116)	-	155	39
By donation/gift	-	-	-	5,893	-	5,893
Internally developed	-	-	-	779	-	779
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	(24)	(24)
Other	-	-	-	-	18	18
Depreciation	-	(1,403)	(1,403)	(4,705)	(1,810)	(7,918)
<b>Net book value 30 June 2015</b>	<b>6,050</b>	<b>31,135</b>	<b>37,185</b>	<b>230,569</b>	<b>6,278</b>	<b>274,032</b>
<b>Net book value at 30 June 2015 represented by:</b>						
Gross book value	6,050	33,741	39,791	239,474	9,854	289,119
Accumulated depreciation and impairment	-	(2,606)	(2,606)	(8,905)	(3,576)	(15,087)
<b>Net book value at 30 June 2015</b>	<b>6,050</b>	<b>31,135</b>	<b>37,185</b>	<b>230,569</b>	<b>6,278</b>	<b>274,032</b>

<sup>1</sup> 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.

## NOTE 6: NON-FINANCIAL ASSETS (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 6E: Intangibles</b>		
<b>Computer software:</b>		
Internally developed – in use	2,269	2,270
Purchased	2,272	1,898
Accumulated amortisation	(2,343)	(1,998)
<b>Total computer software</b>	<b>2,198</b>	<b>2,170</b>
<b>Heritage and cultural intangibles: Non-Theatrical Screening Licences</b>		
Purchased	281	277
Accumulated amortisation	(275)	(235)
<b>Total heritage and cultural intangibles</b>	<b>6</b>	<b>42</b>
<b>Total intangibles</b>	<b>2,204</b>	<b>2,212</b>

### ACCOUNTING POLICY

#### Intangibles

The NFSA's intangibles comprise 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 (2015: 3 to 5 years).

## NOTE 6: NON-FINANCIAL ASSETS (Continued)

### Note 6F: Reconciliation of the opening and closing balances of Intangibles

#### Reconciliation of the Opening and Closing Balances of Intangibles for 2016

	Computer software internally developed	Computer software purchased	Non-Theatrical Screening Licences	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>				
Gross book value	2,270	1,898	277	4,445
Accumulated amortisation and impairment	(845)	(1,153)	(235)	(2,233)
<b>Net book value 1 July 2015</b>	<b>1,425</b>	<b>745</b>	<b>42</b>	<b>2,212</b>
Additions:				
By purchase	-	376	4	380
Other	35	29	-	64
Amortisation	(229)	(183)	(40)	(452)
<b>Net book value 30 June 2016</b>	<b>1,231</b>	<b>967</b>	<b>6</b>	<b>2,204</b>
<b>Net book value at 30 June 2016 represented by:</b>				
Gross book value	2,269	2,272	281	4,822
Accumulated amortisation and impairment	(1,038)	(1,305)	(275)	(2,618)
<b>Net book value 30 June 2016</b>	<b>1,231</b>	<b>967</b>	<b>6</b>	<b>2,204</b>

#### Reconciliation of the Opening and Closing Balances of Intangibles for 2015

	Computer software internally developed	Computer software purchased	Non-Theatrical Screening Licences	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2014</b>				
Gross book value	2,088	1,716	277	4,081
Accumulated amortisation and impairment	(627)	(957)	(197)	(1,781)
<b>Net book value 1 July 2014</b>	<b>1,461</b>	<b>759</b>	<b>80</b>	<b>2,300</b>
Additions:				
By purchase	182	182	-	364
Amortisation	(218)	(196)	(38)	(452)
<b>Net book value 30 June 2015</b>	<b>1,425</b>	<b>745</b>	<b>42</b>	<b>2,212</b>
<b>Net book value at 30 June 2015 represented by:</b>				
Gross book value	2,270	1,898	277	4,445
Accumulated amortisation and impairment	(845)	(1,153)	(235)	(2,233)
<b>Net book value 30 June 2015</b>	<b>1,425</b>	<b>745</b>	<b>42</b>	<b>2,212</b>

## NOTE 6: NON-FINANCIAL ASSETS (Continued)

	2016	2015
	\$'000	\$'000
<b>Note 6G: Inventories</b>		
Inventories held for sale: finished goods	43	34
Inventories held for distribution	531	508
<b>Total inventories</b>	<b>574</b>	<b>542</b>

During 2016 \$10,602 of inventory held for sale was recognised as an expense (2015: \$66,468).

During 2016 \$150,369 of inventory held for distribution was recognised as an expense (2015: \$313,445).

### 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:

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

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

All inventories are expected to be sold or distributed in the next 12 months.

#### Note 6H: Other Non-Financial Assets

Prepayments	345	673
Operating lease prepayments	60	103
<b>Total other non-financial assets*</b>	<b>405</b>	<b>776</b>

\*Settlement expected in no more than 12 months

## NOTE 7: PAYABLES

	2016	2015
	\$'000	\$'000
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals	961	1,255
Operating lease rentals	19	26
<b>Total suppliers*</b>	<b>980</b>	<b>1,281</b>
Settlement of payables is usually made within 30 days		
<b>Note 7B: Other Payables</b>		
Salaries and wages	58	608
Superannuation	9	75
Separations and redundancies	394	92
Unearned revenue	-	38
Other liabilities	7	-
Lease incentives	4	63
<b>Total other payables</b>	<b>472</b>	<b>876</b>
<b>Other payables are expected to be settled</b>		
No more than 12 months	472	813
More than 12 months	-	63
<b>Total other payables</b>	<b>472</b>	<b>876</b>

### ACCOUNTING POLICY

#### Employee Benefits

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

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

Other long-term employee benefits are measured at the net total of the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

#### Parental Leave Payments Scheme

Amounts received under the Parental Leave Payments Scheme by the NFSA not yet paid to employees are presented gross as cash and a liability (payable). The total amount received under this scheme was \$51,246 (2015:\$63,592).



## NOTE 7: PAYABLES (Continued)

### Note 7B: Other Payables (Continued)

#### ACCOUNTING POLICY (Continued)

##### Superannuation

Staff of the NFSA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), and the PSS accumulation plan (PSSap).

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported 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 for the final day of the year.

##### 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.

## NOTE 8: PROVISIONS

	2016	2015
	\$'000	\$'000
<b>Note 8A: Employee Provisions</b>		
Leave	3,125	3,680
<b>Total employee provisions</b>	<b>3,125</b>	<b>3,680</b>
<b>Employee provisions are expected to be settled</b>		
No more than 12 months	1,250	1,325
More than 12 months	1,875	2,355
<b>Total employee provisions</b>	<b>3,125</b>	<b>3,680</b>

### ACCOUNTING POLICY

#### 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.

<b>Note 8B: Other Provisions</b>		
Provision for restoration obligations	203	173
<b>Total other provisions*</b>	<b>203</b>	<b>173</b>
*More than 12 months		
<b>Carrying amount 1 July 2015</b>	<b>173</b>	192
Additional provisions made	30	(19)
<b>Closing balance 30 June 2016</b>	<b>203</b>	173

### 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 9: CASH FLOW RECONCILIATION

	2016	2015
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	1,781	1,247
Statement of financial position	1,781	1,247
<b>Discrepancy</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(25,869)	(22,803)
Revenue from Government	25,408	25,929
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	8,951	8,370
Net write down of non-financial assets	-	24
Unwinding of discount	4	7
Non-cash heritage and cultural asset additions	-	(779)
Non-cash collection donations	(4,560)	(5,893)
Other cost	-	(28)
<b>Movements in assets and liabilities</b>		
<b>Assets</b>		
(Increase) / decrease in net receivables	(41)	(42)
(Increase) / decrease in inventories	(32)	99
(Increase) / decrease in prepayments	371	(25)
<b>Liabilities</b>		
Increase / (decrease) in employee provisions	(555)	(722)
Increase / (decrease) in supplier payables	(301)	291
Increase / (decrease) in other payable	(404)	(738)
Increase / (decrease) in other provisions	30	(19)
<b>Net cash from operating activities</b>	<b>3,002</b>	<b>3,671</b>

## NOTE 10: CONTINGENT ASSETS AND LIABILITIES

The NFSA has no quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2016. An unqualified contingency was reported in last year's report. This is no longer outstanding.

### ACCOUNTING POLICY

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

## NOTE 11: SENIOR MANAGEMENT PERSONNEL REMUNERATION

	2016	2015
	\$	\$
<b>Short-term employee benefits</b>		
Salary	724,495	569,330
Motor vehicle and other allowances	7,933	3,932
<b>Total short-term employee benefits</b>	<b>732,428</b>	<b>573,262</b>
<b>Post-employment benefits</b>		
Superannuation	112,426	70,343
<b>Total post-employment benefits</b>	<b>112,426</b>	<b>70,343</b>
<b>Other long-term employee benefits</b>		
Annual leave	47,910	14,648
Long-service leave	15,358	50,849
<b>Total other long-term employee benefits</b>	<b>63,268</b>	<b>65,497</b>
<b>Total senior management personnel remuneration expenses</b>	<b>908,122</b>	<b>709,102</b>

### Notes:

The total number of senior management personnel includes 3 NFSA Executives and 5 Non-Executive Board members (2015: 3 Executives and 7 Non-Executive Board members).

## NOTE 12: RELATED PARTY DISCLOSURES

### Loans to Directors and Director-Related Entities

There were no loans to directors or director related entities.

### Other Transactions with Directors or Director-Related Entities

In the ordinary course of business, payments (and entitlements to receive payments) totalling \$2,158 (2015: nil) were made. The 2015-16 payments were made to Elaine Loebenstein. These payments were made on normal commercial terms. Elaine Loebenstein is enrolled in the NFSA Musical Accompanists Register and is a related party (spouse) of the Chief Executive Officer.

## NOTE 13: REMUNERATION OF AUDITORS

	2016	2015
	\$'000	\$'000
<b>Fair value of the services provided</b>		
Financial statement audit services	60	60
<b>Total</b>	<b>60</b>	<b>60</b>

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

## NOTE 14: FINANCIAL INSTRUMENTS

	2016	2015
	\$'000	\$'000
<b>Note 14A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Held-to-maturity investments</b>		
Deposits	5,500	5,500
<b>Total held-to-maturity investments</b>	<b>5,500</b>	<b>5,500</b>
<b>Loans and receivables</b>		
Cash and cash equivalents	1,781	1,247
Trade and other receivables (net)	159	41
Accrued interest	42	21
<b>Total loans and receivables</b>	<b>1,982</b>	<b>1,309</b>
<b>Total financial assets</b>	<b>7,482</b>	<b>6,809</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Supplier payables	980	1,255
Unearned revenue	-	38
<b>Total financial liabilities measured at amortised cost</b>	<b>980</b>	<b>1,293</b>
<b>Total financial liabilities</b>	<b>980</b>	<b>1,293</b>

The carrying amount of financial instruments is a reasonable approximation of fair value.

<b>Note 14B: Net Income or Losses from Financial Assets</b>		
<b>Held-to-maturity investments</b>		
Interest revenue	236	157
<b>Net gains on held-to-maturity investments</b>	<b>236</b>	<b>157</b>
<b>Net gains from financial assets</b>	<b>236</b>	<b>157</b>

## NOTE 14: FINANCIAL INSTRUMENTS (Continued)

### Note 14C: Credit Risk

The NFSA is exposed to minimal credit risk as the majority of its financial assets are cash, deposits and receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total net amount of trade receivables and other receivables (2016: \$158,715; 2015: \$41,332).

The NFSA assessed the risk of default on payment and did not allocate any value in 2016 (2015: \$nil) to an impairment allowance account. The NFSA has a credit policy and management of accounts guidelines to manage its credit risk.

The NFSA held no collateral to mitigate against credit risk.

Aging of financial assets that are past due can be found in note 4B.

### Note 14D: Liquidity Risk

The NFSA's financial liabilities are trade creditors and accruals. The exposure to liquidity risk is based on the notion that the NFSA will encounter difficulty in meeting its obligations associated with its financial liabilities. This is highly unlikely due to appropriation funding and other funding mechanisms available and internal policies and procedures to ensure there are appropriate resources to meet its financial obligations.

### Note 14E: Market Risk

The NFSA holds basic financial instruments that do not expose the NFSA to certain market risks. The NFSA is not exposed to 'currency risk', 'interest rate risk' or 'other price risk'.

# NOTE 15: REPORTING OF OUTCOMES

	Outcome 1	
	2016	2015
	\$'000	\$'000
<b>Note 15A: Net Cost of Outcome Delivery</b>		
<b>Departmental</b>		
Expenses	32,183	30,573
Own-source income	6,314	7,770
<b>Net cost of outcome delivery</b>	<b>25,869</b>	<b>22,803</b>

Outcome 1 is described in Overview. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

## Note 15B: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcome

The NFSA has a single Outcome. Major classes of Departmental expenses, income, assets and liabilities are shown in the Statement of Comprehensive Income and Statement of Financial Position.



## NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES

The following tables provide a comparison of the original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) to the 2015-16 final outcome as presented in accordance with Australian Accounting Standards for the NFSA. The Budget is not audited.

### Note 16A: Departmental Budgetary Reports

#### STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2016

	Actual	Budget estimate	
	2016	Original <sup>1</sup> 2016	Variance <sup>2</sup> 2016
	\$'000	\$'000	\$'000
<b>Net Cost Of Services</b>			
<b>Expenses</b>			
Employee benefits	16,810	16,605	205
Suppliers	6,418	7,569	(1,151)
Depreciation and amortisation	8,951	8,368	583
Finance costs	4	-	4
<b>Total expenses</b>	<b>32,183</b>	<b>32,542</b>	<b>(359)</b>
<b>Less: Own-Source Income</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	776	715	61
Interest	236	133	103
Royalties	356	626	(270)
Other revenue	312	253	59
<b>Total own-source revenue</b>	<b>1,680</b>	<b>1,727</b>	<b>(47)</b>

<sup>1</sup>- The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

<sup>2</sup>- Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

## NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)

### Note 16A: Departmental Budgetary Reports (Continued)

#### STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2016 (Continued)

	Actual	Budget estimate	
	2016	Original <sup>1</sup> 2016	Variance <sup>2</sup> 2016
	\$'000	\$'000	\$'000
<b>Gains</b>			
Donations of gifted collection	4,560	3,200	1,360
Other gains	74	-	74
<b>Total gains</b>	<b>4,634</b>	<b>3,200</b>	<b>1,434</b>
<b>Total own-source income</b>	<b>6,314</b>	<b>4,927</b>	<b>1,387</b>
<b>Net cost of services</b>	<b>25,869</b>	<b>27,615</b>	<b>(1,746)</b>
Revenue from Government	25,408	25,795	(387)
<b>Surplus/(Deficit) attributable to the Australian Government</b>	<b>(461)</b>	<b>(1,820)</b>	<b>1,359</b>
<b>Other Comprehensive Income</b>			
Changes in asset revaluation surplus	18,202	-	18,202
<b>Total comprehensive income attributable to the Australian Government</b>	<b>17,741</b>	<b>(1,820)</b>	<b>19,561</b>

<sup>1</sup>. The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

<sup>2</sup>. Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

## NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)

### Note 16A: Departmental Budgetary Reports (Continued)

#### STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Actual	Budget estimate	
	2016	Original <sup>1</sup> 2016	Variance <sup>2</sup> 2016
	\$'000	\$'000	\$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,781	2,110	(329)
Trade and other receivables	266	202	64
Other investments	5,500	4,000	1,500
<b>Total financial assets</b>	<b>7,547</b>	<b>6,312</b>	<b>1,235</b>
<b>Non-financial assets</b>			
Land and buildings	35,555	36,123	(568)
Property, plant and equipment	6,562	6,510	52
Heritage and cultural assets	249,019	226,563	22,456
Intangibles	2,204	1,580	624
Inventories	574	641	(67)
Other non-financial assets	405	1,161	(756)
<b>Total non-financial assets</b>	<b>294,319</b>	<b>272,578</b>	<b>21,741</b>
<b>Total assets</b>	<b>301,866</b>	<b>278,890</b>	<b>22,976</b>

<sup>1</sup> The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

<sup>2</sup> Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

## NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)

### Note 16A: Departmental Budgetary Reports (Continued)

#### STATEMENT OF FINANCIAL POSITION as at 30 June 2016 (Continued)

	Actual	Budget estimate	
	2016	Original <sup>1</sup> 2016	Variance <sup>2</sup> 2016
	\$'000	\$'000	\$'000
<b>Liabilities</b>			
<b>Payables</b>			
Suppliers	980	1,062	(82)
Other payables	472	164	308
<b>Total payables</b>	<b>1,452</b>	<b>1,226</b>	<b>226</b>
<b>Provisions</b>			
Employee provisions	3,125	4,430	(1,305)
Other provisions	203	192	11
<b>Total provisions</b>	<b>3,328</b>	<b>4,622</b>	<b>(1,294)</b>
<b>Total liabilities</b>	<b>4,780</b>	<b>5,848</b>	<b>(1,068)</b>
<b>Net assets</b>	<b>297,086</b>	<b>273,042</b>	<b>24,044</b>
<b>Equity</b>			
Contributed equity	216,756	216,756	-
Reserves	66,458	48,256	18,202
Retained surplus	13,872	8,030	5,842
<b>Total equity</b>	<b>297,086</b>	<b>273,042</b>	<b>24,044</b>

<sup>1</sup>. The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

<sup>2</sup>. Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

# NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)

Note 16A: Departmental Budgetary Reports (Continued)

## STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2016

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	Actual	Budget estimate	Actual	Budget estimate	Actual	Budget estimate	Actual	Budget estimate
	2016	Original <sup>1</sup> 2016	2016	Original <sup>1</sup> 2016	2016	Original <sup>1</sup> 2016	2016	Original <sup>1</sup> 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	14,333	9,850	4,483	4,483	48,256	48,256	215,939	215,939
A adjusted opening balance	14,333	9,850	4,483	4,483	48,256	48,256	215,939	215,939
Comprehensive income								
Other comprehensive income	-	-	-	-	18,202	18,202	-	-
Surplus/(Deficit) for the period	(461)	(1,820)	1,359	1,359	-	-	-	(461)
Total comprehensive income	(461)	(1,820)	1,359	1,359	18,202	18,202	-	-
Transactions With Owners								
Contributions by owners	-	-	-	-	-	-	817	817
Equity injection	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	817	817
Closing balance as at 30 June	13,872	8,030	5,842	5,842	66,458	48,256	216,756	216,756
Closing balance attributable to Australian Government	13,872	8,030	5,842	5,842	66,458	48,256	216,756	216,756

1. The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

2. Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

## NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)

### Note 16A: Departmental Budgetary Reports (Continued)

#### CASH FLOW STATEMENT

for the period ended 30 June 2016

	Actual	Budget estimate	
	2016	Original <sup>1</sup> 2016	Variance <sup>2</sup> 2016
	\$'000	\$'000	\$'000
<b>Operating Activities</b>			
<b>Cash received</b>			
Receipts from Government	25,408	25,795	(387)
Sale of goods and rendering of services	760	706	(54)
Interest	192	133	59
Royalties	356	-	356
Donations	27	-	27
Net GST received	662	784	(122)
Other	358	879	(521)
<b>Total cash received</b>	<b>27,763</b>	<b>28,297</b>	<b>(534)</b>
<b>Cash used</b>			
Employees	17,365	16,772	593
Suppliers	7,396	8,159	(763)
<b>Total cash used</b>	<b>24,761</b>	<b>24,931</b>	<b>(170)</b>
<b>Net cash from operating activities</b>	<b>3,002</b>	<b>3,366</b>	<b>(364)</b>
<b>Investing Activities</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment, software and heritage and cultural assets	3,285	3,636	(351)
<b>Total cash used</b>	<b>3,285</b>	<b>3,636</b>	<b>(351)</b>
<b>Net cash used by investing activities</b>	<b>(3,285)</b>	<b>(3,636)</b>	<b>351</b>

<sup>1</sup> The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

<sup>2</sup> Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

## NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)

### Note 16A: Departmental Budgetary Reports (Continued)

#### CASH FLOW STATEMENT

for the period ended 30 June 2016 (Continued)

	Actual	Budget estimate	
	2016	Original <sup>1</sup> 2016	Variance <sup>2</sup> 2016
	\$'000	\$'000	\$'000
<b>Financing Activities</b>			
<b>Cash received</b>			
Contributed equity	817	817	–
<b>Total cash received</b>	<b>817</b>	<b>817</b>	<b>–</b>
<b>Net cash from financing activities</b>	<b>817</b>	<b>817</b>	<b>–</b>
<b>Net increase in cash held</b>	<b>534</b>	<b>547</b>	<b>(13)</b>
Cash and cash equivalents at the beginning of the reporting period	1,247	1,563	(316)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,781</b>	<b>2,110</b>	<b>(329)</b>

<sup>1</sup> The NFSA's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the NFSA's 2015-16 Portfolio Budget Statements (PBS)).

<sup>2</sup> Variance between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided at Note 16B.

## **NOTE 16: BUDGETARY REPORTS AND EXPLANATIONS OF MAJOR VARIANCES (Continued)**

### **Note 16B: Departmental Major Budget Variances for 2015–16**

<b>Explanations of major variances</b>	<b>Affected line items (and statement)</b>
<p><b>SUPPLIERS</b></p> <p>Suppliers costs are below budget due to an increased management focus on seeking more cost effective options, in particular in relation to property operating expenses.</p>	<p><i>Suppliers (Statement of Comprehensive Income), Suppliers (Statement of Financial Position), Operating cash used - suppliers (Cash Flow Statement)</i></p>
<p><b>DONATIONS OF GIFTED COLLECTION</b></p> <p>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 \$3.2m was included in the budget and the actual value, in accordance with the valuation policy, was determined as the items were received into the collection.</p>	<p><i>Donations of gifted collection (Statement of Comprehensive Income), Heritage and cultural assets (Statement of Financial Position)</i></p>
<p><b>RESERVES</b></p> <p>The increase in reserves 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 \$17,814,532.</p>	<p><i>Reserves (Statement of Financial Position)</i></p>
<p><b>OTHER INVESTMENTS</b></p> <p>Other investments were above budget as funds remained in short term deposits as they were not required for payment of suppliers costs.</p>	<p><i>Other investments (Statement of Financial Position)</i></p>
<p><b>HERITAGE AND CULTURAL ASSETS</b></p> <p>The increase in Heritage and cultural assets occurred as a result of the revaluation of assets undertaken on 30 June 2016 which was not budgeted for.</p>	<p><i>Heritage and cultural assets (Statement of Financial Position)</i></p>
<p><b>EMPLOYEE PROVISIONS</b></p> <p>The reduction in employee provisions was the result of redundancies and a management initiative to encourage staff to take leave and reduce the leave liabilities.</p>	<p><i>Employee provisions (Statement of Financial Position) and cash used - employees (Cash Flow Statement)</i></p>