

Museum of Brisbane Trust

ABN 70 514 947 142

Financial report

For the year ended 30 June 2017

Museum of Brisbane Trust
ABN 70 514 947 142

Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue			
Artwork donations	2	2,775,015	560,610
Philanthropy		147,575	39,118
Donations		9,667	8,051
Interest		321	1,426
Total Revenue		<u>2,932,578</u>	<u>609,205</u>
Expenses			
Acquisition costs		(40,163)	(1,150)
Accounting and bookkeeping fees		(5,500)	-
Bank & credit card charge/fees		(61)	(313)
Museum of Brisbane service		-	(10,000)
Philanthropy expenses		(810)	-
Other expenses		(2,995)	(91)
Total Expenses		<u>(49,529)</u>	<u>(11,554)</u>
Surplus For The Year		<u>2,883,049</u>	<u>597,651</u>
Other Comprehensive Income:			
Increase in asset revaluation surplus		21,732	-
Total Comprehensive Income For The Year		<u>2,904,781</u>	<u>597,651</u>

Museum of Brisbane Trust
ABN 70 514 947 142

Statement of Financial Position
As at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents		121,950	41,116
GST receivable		982	8,093
Total Current Assets		<u>122,932</u>	<u>49,209</u>
Non-Current Assets			
Artwork and collectibles	3	<u>3,461,804</u>	<u>630,746</u>
Total Non-Current Assets		<u>3,461,804</u>	<u>630,746</u>
Total Assets		<u><u>3,584,736</u></u>	<u><u>679,955</u></u>
Unitholders' Equity			
Units		10	10
Retained surplus		3,562,994	679,945
Asset revaluation surplus		21,732	-
Total Equity		<u><u>3,584,736</u></u>	<u><u>679,955</u></u>

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Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Unitholders	Asset revaluation surplus	Retained surplus	Total equity
		\$		\$	\$
Balance as at 1 July 2015		10	-	82,294	82,304
Surplus for the year		-	-	597,651	597,651
Total comprehensive income for the year		-	-	597,651	597,651
Balance as at 1 July 2016		10	-	679,945	679,955
Surplus for the year		-	-	2,883,049	2,883,049
Increase in asset revaluation surplus		-	21,732	-	21,732
Total comprehensive income for the year		-	21,732	2,883,049	2,904,781
Balance at 30 June 2017		10	21,732	3,562,994	3,584,736

Museum of Brisbane Trust
ABN 70 514 947 142

Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		154,686	31,025
Donations		9,667	8,051
Payments to suppliers		(49,529)	(11,554)
Interest received		321	1,426
Net cash generated from/(used in) operating activities		<u>115,145</u>	<u>28,948</u>
Cash flows from investing activities			
Payments for artwork and collectibles		(34,311)	(70,136)
Net cash used in investing activities		<u>(34,311)</u>	<u>(70,136)</u>
Net increase/(decrease) in cash held		80,834	(41,188)
Cash and cash equivalents at beginning of financial year		41,116	82,304
Cash and cash equivalents at end of financial year		<u><u>121,950</u></u>	<u><u>41,116</u></u>

Reconciliation of Cash Flow Operating Activities
For the year ended 30 June 2017

NOTES TO THE STATEMENT OF CASH FLOW

	Note	2017 \$	2016 \$
Reconciliation of Operating Result to Net Cash Provided by Operating Activities			
Operating surplus		2,883,049	597,651
Non-cash items included in operating result			
Value of artwork and collectibles donated		(2,775,015)	(560,610)
Changes in assets and liabilities			
Decrease/(increase) in receivables		7,111	(8,093)
Net Cash provided by Operating Activities		<u><u>115,145</u></u>	<u><u>28,948</u></u>

Museum of Brisbane Trust

ABN 70 514 947 142

Notes to the Financial Statement

For the year ended 30 June 2017

CORPORATE INFORMATION

Museum of Brisbane Trust ("the Trust") is a Trust, incorporated and domiciled in Australia. The registered office of the Trust is Brisbane Square, Level 23, 266 George Street, Brisbane QLD 4000.

OBJECTIVES OF THE TRUST

The objectives of the Trust are to establish and maintain a museum and art gallery for the benefit of the public; to promote art for the benefit of the public by the establishment and maintenance of an art gallery within the Brisbane City Hall and to advance education by the establishment and maintenance of a museum.

TRUSTEE

Museum of Brisbane Pty Ltd acts as trustee for and manages the Museum of Brisbane Trust established by Brisbane City Council to promote art for the benefit of the public.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

1 (a) Basis of preparation

These special purpose financial statements are for the period 1 July 2016 to 30 June 2017.

The directors of the Trustee have determined that the trust is not a reporting entity as there are no users dependent on these financial statements for information that would be useful for them for making and evaluating decisions about the allocation of resources. The financial report is a special purpose financial report prepared in order to satisfy the requirements of the Trust Deed, in accordance with clause 9.2 and *the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013*.

The financial statements are prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations.

Statement of Compliance

The Trust is a not-for-profit entity and the special purpose financial statements have been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

Museum of Brisbane Trust

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Notes to the Financial Statement

For the year ended 30 June 2017

NOTE 1:

SIGNIFICANT ACCOUNTING POLICIES (continued)

The special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the directors:

AASB 101 Presentation of Financial Statements

AASB 107 Statement of Cash Flows

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 1048 Interpretation of Standards

AASB 1054 Australian Additional Disclosures.

The financial statements include all income, expenses, assets, liabilities and equity of the Trust.

These financial statements have been prepared under the historical cost convention except where stated.

1 (b) Currency and Rounding

The financial report is presented in Australian dollars and rounded to the nearest dollar.

1 (c) Comparatives

Comparative information reflects the audited 2015-16 financial statements.

1 (d) Current/Non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Trust does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

1 (e) Authorisation of Financial Statements for Issue

The financial statements are authorised for issue by the Directors of the Trustee at the date of signing the Trustee's statement.

Museum of Brisbane Trust

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Notes to the Financial Statement

For the year ended 30 June 2017

NOTE 1:

SIGNIFICANT ACCOUNTING POLICIES (continued)

1 (f) Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to assets or liabilities relate to:

- Valuation, depreciation and impairment of property, plant and equipment (Note 3)
- Artwork donations (Note 2)

1 (g) Cash and cash equivalents

Cash and cash equivalents include all cash and cheques received but not banked at 30 June.

NOTE 2: REVENUE

Artwork donations

Contributed assets are recognised assets and revenues at their fair value on the date of acquisition.

From the total donation of artwork \$2,775,015 received during the year, Museum of Brisbane Pty Ltd donated artwork amounting to \$35,331 (2016: \$335,813) to the Trust during the year.

Philanthropic Income and donations

Income and donations are recognised as revenue in the year in which the Trust obtains control over them (control is generally obtained on receipt) or receives the benefits.

NOTE 3: ART WORK AND COLLECTIBLES

	2017	2016
	\$	\$
<i>Artwork and collectibles</i>		
Opening carrying amount	630,746	-
Additions	2,809,326	630,746
Revaluation surplus	21,732	-
Closing carrying amount	<u>3,461,804</u>	<u>630,746</u>

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Notes to the Financial Statement

For the year ended 30 June 2017

NOTE 3: ART WORK AND COLLECTIBLES (continued)

Recognition Threshold

Items of artwork and collectibles with a cost or other value equal to or in excess of \$1 are recognised for financial reporting purposes in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

Acquisition of Artwork and collectibles

Actual cost is used for the initial recording of all acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use.

Artwork and collectibles acquired at no cost or for nominal consideration are recognised at their fair value at the date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

Depreciation of Assets

Artwork and Collectibles are not depreciated due to the heritage and cultural nature of the assets.

Impairment of Non-Current Assets

Key Judgement and Estimate: All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the consolidated entity determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

Museum of Brisbane Trust

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Notes to the Financial Statement

For the year ended 30 June 2017

NOTE 3: ART WORK AND COLLECTIBLES (continued)

Revaluation of artwork and collectibles

The Trust's artwork and collectibles are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These assets are reported at their revalued amounts, being the fair value at the date of valuation.

The cost of items acquired during the financial year has been judged by management of the trustee company to materially represent their fair value at the end of the reporting period.

The artwork and collectibles is revalued in accordance with the Trust's revaluation policy, which is approved by the Board of the trustee company. The revaluation process is managed by the collections manager and finance manager and revaluations are approved by the Director of the trustee company. At least once every 5 years, a revaluation is conducted by an external valuer for artworks with higher individual values. The remaining items significantly lower in individual values in comparison to the total value of the collection and are less likely to be subject to material movements in fair value; consequently, those works are generally held at cost (which approximates fair value) but are periodically reviewed for material movements by the Trust's own expert curatorial staff.

Any revaluation increment arising on the revaluation of the artwork and collectibles assets is credited to the asset revaluation surplus, except to the extent it reverses a revaluation decrement previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the asset revaluation surplus.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

In accordance with AASB 13 *Fair Value Measurements* are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

Artwork and collectibles of the Trust are classified as level 2 in the fair value hierarchy \$3,461,804 (2016: \$630,746)

Specific valuation techniques used to derive fair values

The fair value of artwork and collectibles is measured at current market value as at 30 June 2017 as determined by an external valuer Ross Searle and internal experts of the trustee company. Fair value was derived by reference to market based evidence including sales prices of comparable artworks and general art market conditions.

Museum of Brisbane Trust

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Notes to the Financial Statement

For the year ended 30 June 2017

NOTE 4: AUDITORS REMUNERATION

	2017	2016
	\$	\$
Audit and review of financial statements		
Audit services		
- Queensland Audit Office	<u>5,500</u>	<u>5,500</u>

Museum of Brisbane Trust

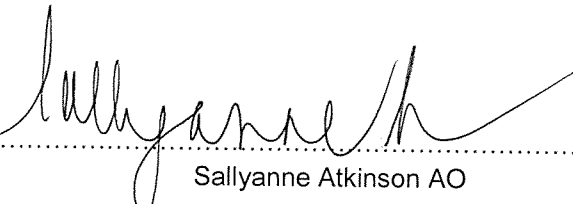
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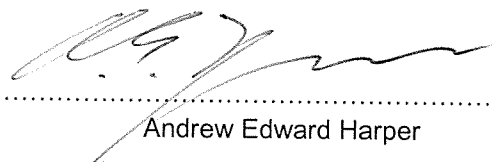
The Trustee's Declaration

The Trustee of the Museum of Brisbane Trust declares that the trust is not a reporting entity and that this special purpose financial report has been prepared in accordance with Clause 9.2 of the Trust Deed of the Museum of Brisbane Trust dated 21 October 2011 and *the Australian Charities and Not-for-profit Commission Act 2012 and Australian Charities and Not-for-profit Commission regulation 2013*.

In the opinion of the Trustee:

1. The financial statements and notes present fairly the Trust's financial position as at 30 June 2017 and its performance for the year ended in accordance with the accounting policies described in Note 1.
2. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
3. The financial statements and notes satisfy the requirements of *the Australian Charities and Not-for-profit Commission Act 2012* signed in accordance with the *subsection 60.15 of the Australian Charities and Not-for-profit Commission regulation 2013*.

Director.....

Sallyanne Atkinson AO

Director.....

Andrew Edward Harper

Dated this.....15TH.....day of SEPTEMBER.....2017

INDEPENDENT AUDITOR'S REPORT

To the Trustee and Members of Museum of Brisbane Trust

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Museum of Brisbane Trust.

In my opinion, the financial report:

- a) presents fairly the trust's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the Museum of Brisbane Trust Deed dated 21 October 2011, the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Charities and Not-for-profits Commission Regulation 2013 and the financial reporting framework described in Note 1(a).

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the trustees' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 report* section of my report.

I am independent of the trust in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Trustee's financial reporting responsibilities under the trust deed and *Australian Charities and Not-for-profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the trustee for the financial report

The trustee is responsible for the preparation of the financial report that presents fairly in accordance with the Museum of Brisbane Trust Deed dated 21 October 2011, the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Charities and Not-for-profits Commission Regulation 2013 and the financial reporting framework described in Note

1(a), and for such internal control as the trustee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In fulfilling this responsibility, the trustee determined that the basis of preparation described in Note 1(a) is appropriate to meet the requirements of the trust deed and *Australian Charities and Not-for-profits Commission Act 2012*.

The trustee is also responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

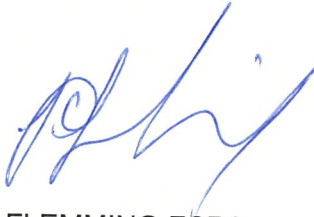
Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian 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 report, 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 expressing an opinion on the effectiveness of the trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trust.
- Conclude on the appropriateness of the trust'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 trust'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 report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee 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.



P J FLEMMING FCPA
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

Museum of Brisbane Pty Ltd and Its Controlled Entity

ABN 52 098 223 413

Financial report

For the year ended 30 June 2017

Museum of Brisbane Pty Ltd and Its Controlled Entity

ABN 52 098 223 413

Financial report

For the year ended 30 June 2017

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Museum of Brisbane Pty Ltd and Its Controlled Entity

ABN 52 098 223 413

Directors' Report

The Directors present their report together with the consolidated financial report of Museum of Brisbane Pty Ltd and its controlled entity for the year ended 30 June 2017 and auditor's report thereon. This consolidated financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of the Directors in office at any time during, or since the end of the year are:

Sallyanne Atkinson AO (appointed 27 August 2012)
Jeffery Ross Humphreys (appointed 10 September 2012)
Christopher Michael Tyquin (appointed 10 September 2012)
Andrew Edward Harper (appointed 10 September 2012)
Alison Kubler (appointed 10 September 2012)

Directors have been in office since the start of the consolidated financial year to the date of this report unless otherwise stated.

Company Secretary

David Martin Askern has held the position of Company Secretary since October 2013. David Askern is the Chief Legal Counsel at Brisbane City Council.

Operating Results

The consolidated results of the consolidated entity recorded a surplus for the year amounting to \$2,923,553 (2016: deficit of \$63,858).

The Museum Trust is set up for the receipt of gifts and bequests and this significant surplus is a result of a single non-cash donation valued at \$2,610,772. The Company also recorded a surplus to enable reserves in anticipation of expenditure commitments during the 2018 financial year, including refurbishment of the Museum entry area, maintenance of the collection and leave entitlements.

The consolidated financial result for the year is as expected by the Board of Directors. During this period, Museum of Brisbane also exceeded its generated income targets and increased its return on income generating activities through sponsorship, cash donations and education programs.

Review of Operations

The Company continued to engage in its principal activity, the results of which are disclosed in the attached consolidated financial statements.

Significant Changes in State of Affairs

There were no significant changes in the Company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Museum of Brisbane Pty Ltd and Its Controlled Entity

ABN 52 098 223 413

Directors' Report (continued)

Principal Activity

The principal activity of the Company during the year was operating the Museum of Brisbane.

No significant change in the nature of these activities occurred during the year other than as disclosed above.

After Balance Date Events

No matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely Developments

The Company expects to maintain the present status and level of operations.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid, recommended and declared

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Indemnification of Officer

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the Company.

Indemnification of Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the consolidated entity.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Museum of Brisbane Pty Ltd and Its Controlled Entity

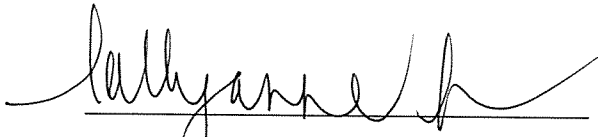
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Directors' Report (continued)

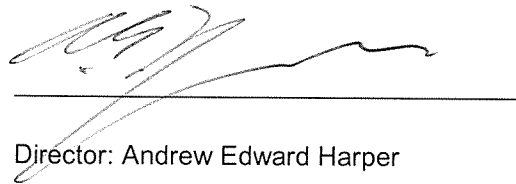
Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

Signed on behalf of the Board of Directors:



Director: Sallyanne Atkinson AO



Director: Andrew Edward Harper

Dated this *15TH* day of *SEPTEMBER* 2017

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Museum of Brisbane Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of Museum of Brisbane Pty Ltd and its controlled entity for the financial year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



P J FLEMMING FCPA
(as delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Museum of Brisbane Pty Ltd and Its Controlled Entity
ABN 52 098 223 413

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
OPERATING RESULT			
Income from Continuing Operations			
Revenue	2	8,756,298	5,708,103
Expenses from Continuing Operations			
Employee benefits expense	3	(2,778,734)	(2,548,839)
Audience development expenses		(1,141,273)	(1,211,001)
Program (exhibition) expenses		(473,895)	(757,246)
Lease expense		(679,985)	(738,514)
Minor equipment		(74,282)	(23,249)
Collection management		(30,824)	(26,538)
Depreciation and amortisation expenses	4	(103,196)	(104,938)
Internet webhosting expenses		(82,181)	(113,621)
Other expenses		(468,375)	(248,015)
Total Expenses from Continuing Operations		(5,832,745)	(5,771,961)
Operating Results for the Year		2,923,553	(63,858)
Other comprehensive income:			
Increase in asset revaluation surplus		21,732	-
Total comprehensive income		2,945,285	(63,858)

The accompanying notes form part of these consolidated financial statements.

Museum of Brisbane Pty Ltd and Its Controlled Entity
ABN 52 098 223 413

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current Assets			
Cash and cash equivalents	5	871,715	943,242
Receivables		9,630	191,434
Other assets		70,281	54,943
GST paid		23,411	8,093
Total Current Assets		<u>975,037</u>	<u>1,197,712</u>
Non-Current Assets			
Property, plant and equipment	6	4,086,439	1,354,546
Total Non-Current Assets		<u>4,086,439</u>	<u>1,354,546</u>
Total Assets		<u>5,061,476</u>	<u>2,552,258</u>
Liabilities			
Current Liabilities			
Payables	7	336,228	700,607
Provisions	8	92,350	144,385
Other liabilities	9	90,000	109,653
Total Current Liabilities		<u>518,578</u>	<u>954,645</u>
Total Liabilities		<u>518,578</u>	<u>954,645</u>
Net Assets		<u>4,542,898</u>	<u>1,597,613</u>
EQUITY			
Share capital	10	1	1
Unitholder's capital	10	10	10
Asset revaluation surplus		21,732	-
Retained earnings		4,521,155	1,597,602
Total Equity		<u>4,542,898</u>	<u>1,597,613</u>

The accompanying notes form part of these consolidated financial statements.

Museum of Brisbane Pty Ltd and Its Controlled Entity
ABN 52 098 223 413

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Share capital \$	Unit holder's capital \$	Asset revaluation surplus \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2015		1	10	-	1,661,460	1,661,471
Operating Result from continuing operations		-	-	-	(63,858)	(63,858)
Total comprehensive income for the year		-	-	-	(63,858)	(63,858)
Balance as at 1 July 2016		1	10	-	1,597,602	1,597,613
Operating Result from continuing operations		-	-	-	2,923,553	2,923,553
Increase in asset revaluation surplus		-	-	21,732	-	21,732
Total comprehensive income for the year		-	-	21,732	2,923,553	2,945,285
Balance as at 30 June 2017		1	10	21,732	4,521,155	4,542,898

The accompanying notes form part of these consolidated financial statements

Museum of Brisbane Pty Ltd and Its Controlled Entity
ABN 52 098 223 413

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		1,316,697	429,986
Receipt of funding from Brisbane City Council		4,464,000	4,224,132
Payments to suppliers and employees		(5,843,901)	(4,594,635)
Interest received		34,279	49,547
Net cash provided by operating activities		<u>(28,925)</u>	<u>109,030</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,001	-
Payments for property, plant & equipment		(44,603)	(84,050)
Net cash used in investing activities		<u>(42,602)</u>	<u>(84,050)</u>
Net increase in cash held		(71,527)	24,980
Cash and cash equivalents at beginning of financial year		943,242	918,262
Cash and cash equivalents at end of financial year	5	<u><u>871,715</u></u>	<u><u>943,242</u></u>

The accompanying notes form part of these consolidated financial statements.

Museum of Brisbane Pty Ltd and Its Controlled Entity
ABN 52 098 223 413

Reconciliation of Consolidated Cash Flow Operating Activities

For the year ended 30 June 2017

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW	2017	2016
Note	\$	\$
Reconciliation of Operating Result to Net Cash Provided by Operating Activities		
Operating surplus/(deficit)	2,923,553	(63,858)
Non-cash items included in operating result		
Depreciation	103,196	104,938
Value of artwork and collectibles donated	2 (2,770,755)	(224,797)
Changes in assets and liabilities		
Decrease/(increase) in receivables	181,804	(180,549)
Increase in other assets	(30,656)	(48,926)
(Decrease)/increase in payables	(364,379)	480,469
(Decrease)/increase in other liabilities	(19,653)	79,653
Decrease in provisions	(52,035)	(37,900)
Net Cash provided by Operating Activities	<u>(28,925)</u>	<u>109,030</u>

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

CORPORATE INFORMATION

Museum of Brisbane Pty Ltd (“the Company”) is a company limited by shares, incorporated and domiciled in Australia and wholly owned by the Brisbane City Council (BCC). Museum of Brisbane Trust (“the Trust”) was established by Brisbane City Council to promote art for the benefit of the public.

The Company acts as trustee of the Museum of Brisbane Trust and in accordance with the power in the Trust deed, the company is deemed to have a control over the Trust.

The registered office of the Company is Brisbane Square, Level 23, 266 George Street, Brisbane QLD 4000. The principal place of business is City Hall, King George Square, Brisbane QLD 4000.

OBJECTIVES OF THE COMPANY

The objectives of Museum of Brisbane are to research and present a changing program of high quality exhibitions that explore and present all that is Brisbane, to establish itself as a museum of national significance by creating rich cultural experiences that inform, educate and entertain.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

1 (a) Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017.

They comply with the requirements of the *Corporations Act 2001* and the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). The consolidated entity is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities, which are inconsistent with International Financial Reporting Standards (IFRS). Therefore, in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except where stated.

1 (b) Basis of consolidation

The Company and its Controlled entity (the Trust) together form the economic entity, which is referred to in these financial statements as the consolidated entity. The financial statements of controlled entity is included in the consolidated financial statements where material by size or nature, from the date when control commences until the date when control ceases.

Transactions between the Company and entities controlled by the Company have been eliminated when preparing consolidated accounts. In addition, the accounting policies of controlled entities have been adjusted on consolidation where necessary, to ensure the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Company.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 1

SIGNIFICANT ACCOUNTING POLICIES (continued)

1 (c) Currency and Rounding

The consolidated financial report is presented in Australian dollars and full amount.

1 (d) Comparatives

Comparative information reflects the audited 2016-17 consolidated financial statements.

1 (e) Current/Non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Consolidated Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Consolidated entity does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

1 (f) Adoption of New and Revised Accounting Standards

This year the consolidated entity has applied AASB 124 Related Party Disclosures. As a result, the consolidated entity has disclosed more information about related parties and transactions with those related parties. This information is presented in Notes 16 & 18.

1 (g) Authorisation of Consolidated Financial Statements for Issue

The consolidated financial statements are authorised for issue by the Directors at the date of signing the Directors' report.

1 (h) Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to assets or liabilities relate to:

- Valuation, depreciation and impairment of property, plant and equipment (Note 6)
- Provisions (Note 8)

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 2 REVENUE

	2017	2016
	\$	\$
Grant Revenue		
BCC funding	4,464,000	3,000,000
BCC rental funding	-	730,132
Other	343,082	2,000
	<u>4,807,082</u>	<u>3,732,132</u>
Service Level Agreement Revenue		
BCC Clocktower/ tours revenue	-	492,000
	<u>-</u>	<u>492,000</u>
Sales Revenue		
Merchandise sales	125,075	151,097
	<u>125,075</u>	<u>151,097</u>
Other Revenue		
Artwork donations*	2,770,755	224,797
Corporate fundraising	180,682	250,000
Venue hire	54,081	52,688
Sponsorship in-kind	581,526	686,838
Interest income	34,279	49,547
Philanthropy	147,575	39,118
Public programs and education	36,332	13,725
Other revenue	18,911	16,161
	<u>3,824,141</u>	<u>1,332,874</u>
Total Revenue	<u>8,756,298</u>	<u>5,708,103</u>

* Included in donations is an amount of \$2,770,755 (2016: \$224,797) representing the fair value of artwork and collectibles donated for no consideration.

Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below:

Grants

Grants that are not-reciprocal in nature are recognised as revenue in the year in which the consolidated entity obtains control over them (control is generally obtained on receipt). The Museum has not received any reciprocal grants.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 2

REVENUE (continued)

Service level agreement revenue

Service level agreement revenue are recognised as revenue in the year in which the consolidated entity obtains control over them (control is generally obtained on receipt).

Sales Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Artwork donations

Contributed assets above the relevant asset recognition threshold are recognised assets and revenues at their fair value on the date of acquisition. Assets below the relevant recognition thresholds are recognised as revenues and expenses.

Sponsorship

Sponsorships are recognised as revenue in the year in which the consolidated entity obtains control over them or receives the benefits.

NOTE 3:

EMPLOYEE BENEFITS EXPENSE

	2017	2016
	\$	\$
Employee benefits expense		
- Wages and salaries	2,200,116	1,996,297
- Annual leave and long service leave provision expense	219,454	198,262
- Superannuation contributions	217,743	209,542
- Workers compensation premium	16,417	16,164
- Payroll tax	125,004	128,574
	<u>2,778,734</u>	<u>2,548,839</u>

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 3:

EMPLOYEE BENEFITS EXPENSE (continued)

Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits. Payroll tax and workers compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages and Salaries

Wages and salaries due but unpaid at reporting date are recognised in the Consolidated Statement of Financial Position at the current salary rates. As the consolidated entity expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Annual leave

Annual leave expected to be settled within twelve months of the reporting date are measured using remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the employee benefits liability.

Long Service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The liability is recognised after 7 years of service and is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the employment. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and the consolidated entity does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability.

Superannuation

Employer superannuation contributions are paid to employees' nominated superfunds. Contributions are expensed in the period in which they are paid or payable.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 4: DEPRECIATION EXPENSE

	2017	2016
	\$	\$
Depreciation of non current assets		
- Plant and equipment	74,362	74,362
- Furniture and fittings	27,710	28,509
- Computer equipment	1,124	2,067
	<u>103,196</u>	<u>104,938</u>

NOTE 5: CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
Cash on hand	1,500	1,500
Cash at bank	443,995	177,899
Cash on deposits	426,220	763,843
	<u>871,715</u>	<u>943,242</u>

For the purposes of the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

The Museum of Brisbane Board of Directors will ensure that there are funds allocated to cover the amount of staff vesting leave provisions. It is agreed to carry a contingency of cash on hand to cover a two month trading period at any time.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 6:

PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	\$	\$
Plant and equipment		
Plant and equipment at cost	843,800	843,799
Accumulated depreciation	(393,616)	(319,253)
	<u>450,184</u>	<u>524,546</u>
Furniture, fixtures and fittings at cost	295,849	298,451
Accumulated depreciation	(121,398)	(100,322)
	<u>174,451</u>	<u>198,129</u>
Computer equipment at cost	8,266	8,266
Accumulated depreciation	(8,266)	(7,141)
	<u>-</u>	<u>1,125</u>
Artwork and collectibles	3,461,804	630,746
Total property, plant and equipment	<u><u>4,086,439</u></u>	<u><u>1,354,546</u></u>

Recognition Thresholds for Property Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Plant and Equipment	\$5,000
Furniture, fixtures and fittings	\$5,000
Computer equipment	\$5,000
Art and Collectibles	\$1

Items with a lesser value are expensed in the year of acquisition.

Acquisition of Assets

Actual cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. Any training costs are expensed as incurred.

Museum of Brisbane and Its Controlled Entity

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 6:

PROPERTY, PLANT AND EQUIPMENT (continued)

Artwork and collectibles acquired at no cost or for nominal consideration are recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment acquired for exhibition purposes are expensed in the current financial year since it is considered that no economic benefit will be derived post this financial year.

Measurement of Property Plant and Equipment using Cost

Plant and equipment, furniture, fixtures and fittings and computer equipment are measured at cost. The carrying amount for such plant and equipment at cost is not materially different from their fair value. Items purchased for exhibitions will be used only for that exhibition (usually lasting 3-6 months), due to the short time frame of use, they will not be added to the Fixed Asset Register to be depreciated over an extended time frame.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Depreciation of Property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the consolidated entity.

Key Estimate: For each class of depreciable asset the following depreciation rates are used:

Class	Useful lives
Plant and equipment	1 to 10 years
Furniture, fixtures and fittings	1 to 10 years
Computer equipment	1 to 4 years

The consolidated entity's Artwork and Collectibles are not depreciated due to the heritage and cultural nature of the assets.

Impairment of Non-Current Assets

Key Judgement and Estimate: All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the consolidated entity determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

NOTE 6:

PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation of artwork and collectibles

The consolidated entity's artwork and collectibles are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These assets are reported at their revalued amounts, being the fair value at the date of valuation.

The cost of items acquired during the financial year has been judged by management of the consolidated entity to materially represent their fair value at the end of the reporting period.

The artwork and collectibles is revalued in accordance with the consolidated entity's revaluation policy, which is approved by the Board. The revaluation process is managed by the collections manager and finance manager and revaluations are approved by the Director. At least once every 5 years, a revaluation is conducted by an external valuer for artworks with higher individual values. The remaining items significantly lower in individual values in comparison to the total value of the collection and are less likely to be subject to material movements in fair value; consequently, those works are generally held at cost (which approximates fair value) but are periodically reviewed for material movements by the consolidated entity's own expert curatorial staff.

Any revaluation increment arising on the revaluation of the artwork and collectibles assets is credited to the asset revaluation surplus, except to the extent it reverses a revaluation decrement previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the asset revaluation surplus.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

In accordance with AASB 13 *Fair Value Measurements* are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

The consolidated entity's policy is to recognise transfers in and out of their fair value hierarchy levels as at the end of the reporting period.

Artwork and collectibles of the consolidated entity are classified as level 2 in the fair value hierarchy \$3,461,804 (2016: \$630,746)

Specific valuation techniques used to derive fair values

The fair value of artwork and collectibles is measured at current market value as at 30 June 2017 as determined by an external valuer Ross Searle and internal experts of the consolidated entity. Fair value was derived by reference to market based evidence including sales prices of comparable artworks and general art market conditions.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 6:

PROPERTY, PLANT AND EQUIPMENT (continued)

Balance and Reconciliations of Carrying Amount

	2017	2016
	\$	\$
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Plant and equipment</i>		
Opening carrying amount	524,546	598,908
Depreciation expense	(74,362)	(74,362)
Closing carrying amount	<u>450,184</u>	<u>524,546</u>
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	198,129	226,638
Additions	11,940	-
Disposals	(7,908)	-
Depreciation expense	(27,710)	(28,509)
Closing carrying amount	<u>174,451</u>	<u>198,129</u>
<i>Computer equipment</i>		
Opening carrying amount	1,125	3,192
Depreciation expense	(1,125)	(2,067)
Closing carrying amount	<u>-</u>	<u>1,125</u>
<i>Artwork and collectibles</i>		
Opening carrying amount	630,746	321,899
Additions	2,809,326	308,847
Revaluation surplus	21,732	-
Closing carrying amount	<u>3,461,804</u>	<u>630,746</u>

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 7:

PAYABLES

	2017 \$	2016 \$
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	222,587	634,555
Other payables	113,641	66,052
	<u>336,228</u>	<u>700,607</u>

Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

Note 8:

PROVISIONS

	2017 \$	2016 \$
CURRENT		
Annual leave	88,323	116,373
Long service leave	4,027	28,012
	<u>92,350</u>	<u>144,385</u>
(a) Number of employees at year end	<u>35</u>	<u>35</u>

Provisions

Provisions represent unpaid employee benefits in accordance with Note 3.

Movement in provisions

Annual leave

Opening carrying amount	116,373	110,248
Provision/payment made during the year	(28,050)	6,125
Closing carrying amount	<u>88,323</u>	<u>116,373</u>

Long service leave

Opening carrying amount	28,012	67,466
Provision/payment made during the year	(23,985)	(39,454)
Closing carrying amount	<u>4,027</u>	<u>28,012</u>

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 9:

OTHER LIABILITIES

	2017 \$	2016 \$
CURRENT		
Deferred sponsorship income	90,000	109,653

The deferred sponsorship income relates to sponsorship from Brisbane Airport Corporation and as per the sponsorship agreement this is for financial year 2017/18. This amount was paid in advance during the year 30 June 2017.

Note 10:

EQUITY

	2017 \$	2016 \$
<i>Museum of Brisbane Pty Ltd</i>		
Issued and paid-up capital		
Ordinary shares	1	1
<i>Museum of Brisbane Trust</i>		
Unitholder's contribution	10	10

Rights of each type of share

Ordinary shares do not participate in dividends and the proceeds on winding up of the parent entity.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise shareholder has one vote on a show of hands.

Note 11:

FINANCIAL RISK DISCLOSURE

Financial Instrument Categories

Recognition

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the consolidated entity becomes party to the contractual provisions of the financial instrument. The consolidated entity has the following categories of financial assets and financial liabilities:

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 11:

FINANCIAL RISK DISCLOSURE (continued)

	2017 \$	2016 \$
Financial assets		
Cash and cash equivalents	871,715	943,242
Receivables	9,630	322,974
Total	881,345	1,266,216
Financial liabilities		
Payables	336,228	700,607
Total	336,228	700,607

Classification

Financial Instruments are classified and measured as follows:

- Cash and cash equivalents –at fair value through profit or loss
- Receivables –at amortised cost
- Payables – at amortised cost

The consolidated entity does not enter into transactions for speculative purposes, nor for hedging. Apart for cash and cash equivalents, the company holds no financial assets classified at fair value through profit or loss.

No financial assets and financial liabilities have been offset and presented net in the Consolidated Statement of Financial Position.

Financial Risk Management

Risk Exposure

Financial risk management is implemented pursuant to Company's policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the controlled entities.

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The consolidated entity's activities expose it to a variety of financial risks as set out below:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The consolidated entity is exposed to interest rate risk through its cash deposited in interest bearing accounts. The consolidated entity does not undertake any hedging in relation to interest rate risk. The interest rate risk is not significant due to the low effective interest rate to which cash and cash equivalents are subject to.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 11:

FINANCIAL RISK DISCLOSURE (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in Consolidated Statement of Financial Position and notes to consolidated financial statements.

All receivables are considered current and receivable within 30 days. No receivables are considered impaired

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

(ii) Trade and other receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity manages liquidity risk by continuously monitoring cash flows and maturity profiles of financial assets and liabilities.

Liquidity Risk – Contractual Maturity of Financial Liabilities

The following table sets out the liquidity risk of financial liabilities held by the consolidated entity. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Consolidated Statement of Financial Position that are based on discounted cash flows.

Museum of Brisbane and Its Controlled Entity

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 11:

FINANCIAL RISK DISCLOSURE (continued)

Year ended	< 6	6-12		Total	Carrying
30 June 2017	months	months	1-5 years	contractu	amount
	\$	\$	\$	al cash	\$
				flows	
Payables	336,228			336,228	336,228
Net Maturities	336,228	-	-	336,228	336,228
Year ended					
30 June 2016					
Payables	700,607			700,607	700,607
Net maturities	700,607	-	-	700,607	700,607

Note 12:

CONTINGENCIES

The Directors are not aware of any contingent assets or liabilities as at 30 June 2017 (2016: \$nil).

Note 13:

COMMITMENTS

	2017	2016
	\$	\$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	763,555	654,268
- later than one year and not later than five years	1,543,211	279,265
	<u>2,306,766</u>	<u>933,533</u>

Operating leases relate to a premise lease, storage unit lease and equipment rental under normal commercial operating lease terms and conditions. The premises lease is for 4 years with 2 x 1-year options to renew and 2% annual increases. The tenant is also required to pay annual cleaning costs over the period of lease. The storage unit lease is for 1 year and will expire in November 2017.

The Museum of Brisbane has no capital commitment at year-end (2016: \$nil).

Museum of Brisbane and Its Controlled Entity

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 14:

EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the consolidated entity.

Note 15:

FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

AASB 15 – Revenue from Contracts with Customers

This Standard will become effective from reporting periods beginning on or after 1 January 2018. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the consolidated entity's goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that the consolidated entity has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned revenue) in the meantime).

The Consolidated entity is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

AASB 1058 - Income of Not-for-Profit Entities

AASB 1058 will replace AASB 1004 Contributions. Together with AASB 15, they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

The Consolidated entity is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

AASB 9 - Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

These Standards will become effective from reporting periods beginning on or after 1 January 2018 and replaces AASB 139. The main impacts of these standards on the consolidated entity is that they will change the requirements for the classification, measurement, impairment and disclosures associated with the consolidated entity's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 15:

FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

The consolidated entity has not commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the consolidated entity's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the consolidated entity enters into, all of the consolidated entity's financial assets are expected to be measured at fair value (instead of the measurement classifications presently used in Note 12). In the case of the consolidated entity's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the consolidated entity's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the consolidated entity's receivables. Assuming no substantial change in the nature of the consolidated entity's receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the consolidated entity will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

The consolidated entity will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the consolidated entity enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment, and investments in unquoted equity instruments measured at fair value through other comprehensive income and derecognition of these items.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the consolidated entity's activities, or have no material impact on the consolidated entity.

The consolidated entity did not voluntarily change any of its accounting policies during 2016-17. No new Australian Accounting Standards effective for the first time in 2016-17 had any material impact on this consolidated financial report.

AASB 16 - Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Museum of Brisbane and Its Controlled Entity

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 16:

KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration expense

	2017 \$
Compensation received by key management personnel of the company	
- short-term employee benefits	627,064
- post-employment benefits	68,178
- termination payments	3,269
- Long term benefits	1,999
	<u>700,510</u>

Note 17:

AUDITOR'S REMUNERATION

	2017 \$	2016 \$
Audit and review of financial statements		
Audit services		
- Queensland Audit Office	<u>16,000</u>	<u>15,500</u>

Note 18:

RELATED PARTY TRANSACTIONS

The ultimate parent entity of the consolidated entity is the Brisbane City Council (BCC).

Transactions with parent entity

During the year BCC contributed on going funding income under the Museum of Brisbane Funding Agreement of \$4,464,000.

The following goods and services were supplied by BCC on normal terms and conditions:

	2017 \$
Rent of premises	636,300
Electricity	92,537
Cleaning	98,180
Work cover	9,931
Legal services	1,137
Other expenses	9,656

Amounts owed to BCC for goods and services at 30 June 2017 is \$78,158.

The Company entered into a lease agreement with BCC for the rent of premises and provision of cleaning services commencing 1 July 2016, the total value of the commitment at 30 June 2017 is \$2,292,197.

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 18:

RELATED PARTY TRANSACTIONS (continued)

Transactions with other subsidiaries of parent entity

Transactions with other subsidiaries of BCC, Brisbane Marketing Pty Ltd and Brisbane Powerhouse Pty were on normal terms and conditions and have been assessed as immaterial.

Transactions with other related parties

General Outdoor Advertising Pty Ltd t/as goa billboards is a company of whom Christopher Michael Tyquin, Museum of Brisbane Board member is a shareholder and director, provided in-kind services to the value of \$182,500 for outdoor advertising.

All other transactions with other related parties were made on the terms and conditions available to the general public and have been assessed as immaterial.

Note 19:

TAXATION

Museum of Brisbane Pty Ltd is a fully owned corporate entity of the Brisbane City Council. The consolidated entity's activities are exempt from all forms of Commonwealth Taxation, except for Fringe Benefits Tax (FBT) and Goods and Services tax (GST). Museum of Brisbane Pty Ltd is not a subject entity for participation in the local Government Tax Equivalents regime in relation to income tax.

Note 20:

PARENT INFORMATION

	2017	2016
	\$	\$
Statement of Comprehensive income		
Total surplus/(deficit)	40,504	(661,509)
Comprehensive income	40,504	(661,509)
ASSETS		
Current Assets	852,105	1,148,503
Non-current Assets	624,635	723,800
Total Assets	<u>1,476,740</u>	<u>1,872,303</u>
LIABILITIES		
Current Liabilities	518,578	954,645
Total Liabilities	<u>518,578</u>	<u>954,645</u>
Total Equity	<u>958,162</u>	<u>917,658</u>

Museum of Brisbane and Its Controlled Entity

ABN 52 098 223 413

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Note 20:

PARENT INFORMATION (continued)

Guarantees

Museum of Brisbane Pty Ltd has not entered into any guarantees, in the current or previous financial years, in relation to the debts of its subsidiaries.

Contingent liabilities

At 30 June 2017, Museum of Brisbane had a contingent liability of \$Nil (2016: \$Nil).

Contractual commitments

At 30 June 2017, Museum of Brisbane Pty Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: \$Nil).

NOTE 21: ECONOMIC DEPENDENCY

The continuation of the consolidated entity is dependent on the ongoing financial commitment from the Brisbane City Council. For the 2017-18 financial year, Council has approved funding of \$4,553,000.

Museum of Brisbane Pty Ltd

ABN 52 098 223 413

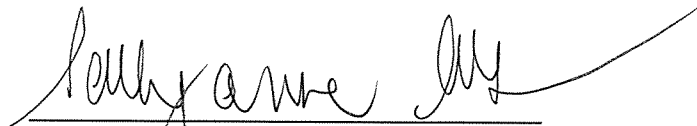
Directors' Declaration

The directors of the consolidated entity declare that:

1. The consolidated financial statements and notes, as set out on pages 5-29, are in accordance with the *Corporations Act 2001*: and
 - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the consolidated financial position of the consolidated entity as at 30 June 2017 and of its performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

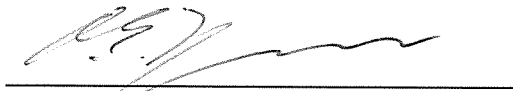
This declaration is made in accordance with a resolution of the Board of Directors.

Director:



Sallyanne Atkinson AO

Director:



Andrew Edward Harper

Dated this ^{15TH} day of September 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Museum of Brisbane Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Museum of Brisbane Pty Ltd and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

Other information comprises the information included in the group's directors' report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian 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 report, 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 expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group'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 group'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 report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report.

However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors 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.



P J FLEMMING FCPA
(as delegate of the Auditor-General)



Queensland Audit Office
Brisbane