MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

ABN 52 098 223 413

Financial Report

FOR THE YEAR ENDED 30 JUNE 2018

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CONTENTS

FOR THE YEAR ENDED 30 JUNE 2018

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

DIRECTORS' REPORT
30 JUNE 2018

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 2018 and auditors report thereon. This consolidated financial report has been prepared in accordance with Australia Accounting Standards.

Directors
The names of the directors in office at any time during the period ended 30 June 2018 are:

Names	Position	Appointed/Resigned
Sallyanne Atkinson AO	Director	Appointed: 27 August 2012
Jeffery Ross Humphreys	Director	Appointed: 10 September 2012
Christopher Michael Tyquin	Director	Appointed: 10 September 2012
Andrew Edward Harper	Director	Appointed: 10 September 2012
Alison Kubler	Director	Appointed: 10 September 2012

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

Company Secretary
Shannon Brandon was the Company Secretary for the period ended 30 June 2018. Shannon Brandon replaced David Askern as Company Secretary on the 2nd March 2018.

No director has received or become entitled to receive a benefit (other than a benefit included in the Notes to the financial Statements) because of a contract that the Director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the period 30 June 2018 or at any other time) with:

(a) the Company; or

(b) an entity that the Company controlled, or body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive, the benefit.

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

DIRECTORS' REPORT
30 JUNE 2018

1. Director Information

a. Meetings of directors

During the financial year, 10 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings		Finance, Governance and Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Sallyanne Atkinson AO	6	6	4	4
Jeffery Ross Humphreys	6	5	4	4
Christopher Michael Tyquin	6	6	4	3
Andrew Edward Harper	6	6	4	4
Alison Kubler	6	5	-	-

2. Operating results and review of operations for the year

a Operating results

The consolidated results of the consolidated entity recorded a surplus for the year amounting to $221,572 (2017: $2,923,553).

Both the Company and the Trust recorded a positive result for the year, income generating targets through engagement and learning programs, philanthropy, cash donations and merchandise sales have been achieved. Last year's significant surplus was the result of a single non-cash donation valued at $2,610,772. The Consolidated Entity will continue to support local artists through an artist in residence program, expand our learning program as well as develop and maintain our collection.

b Review of operations

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

c 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.

3. Other items

a **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.

b **After balance date events**

No matters 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.

c **Likely developments**

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

d **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 of Australia.

e **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.

4. **Indemnification**

a **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.

b **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.

c **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

DIRECTORS' REPORT
30 JUNE 2018

5. **Proceedings on Behalf of the Consolidated Entity**

a **Leave or proceedings**

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.

b **Sign off information**

Signed on behalf of the Board of Directors:

Director: .... Director: ....

Christopher Michael Tyquin Andrew Edward Harper

Dated this TWENTY-FIRST day of SEPTEMBER 2018

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of the 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 the Museum of Brisbane Pty Ltd for the financial year ended 30 June 2018, 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.

21 September 2018

Melissa Read
as delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
OPERATING RESULT			
Income from Continuing Operations			
Revenue	2	**6,424,392**	8,756,298
Expenses from Continuing Operations			
Employee benefits expense	3	**(2,968,210)**	(2,778,734)
Audience development expenses		**(1,162,709)**	(1,141,273)
Program (exhibition) expenses		**(601,241)**	(473,895)
Lease expense		**(695,994)**	(679,985)
Minor equipment		**(22,439)**	(74,282)
Collection management		**(46,058)**	(30,824)
Depreciation and amortisation expenses	4	**(101,803)**	(103,196)
Internet webhosting expenses		**(99,248)**	(82,181)
Other expenses		**(505,118)**	(468,375)
Total Expenses from Continuing Operations		**(6,202,820)**	(5,832,745)
Operating Results for the Year		**221,572**	2,923,553
Other Comprehensive Income:			
Increase in asset revaluation surplus		**46,880**	21,732
Total Comprehensive Income		**268,452**	2,945,285

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**887,645**	871,715
Receivables		**11,500**	9,630
Other assets		**131,027**	70,281
GST Paid		**21,930**	23,411
TOTAL CURRENT ASSETS		**1,052,102**	975,037
NON-CURRENT ASSETS			
Property, plant and equipment	6	**4,173,866**	4,086,439
TOTAL NON-CURRENT ASSETS		**4,173,866**	4,086,439
TOTAL ASSETS		**5,225,968**	5,061,476
LIABILITIES			
CURRENT LIABILITIES			
Payables	7	**247,520**	336,228
Provisions	8	**145,678**	92,350
Other liabilities	9	**21,500**	90,000
TOTAL CURRENT LIABILITIES		**414,698**	518,578
TOTAL LIABILITIES		**414,698**	518,578
NET ASSETS		**4,811,270**	4,542,898
EQUITY			
Share Capital	10	**1**	1
Unitholder's capital	10	**10**	10
Asset revaluation surplus		**68,532**	21,732
Retained earnings		**4,742,727**	4,521,155
TOTAL EQUITY		**4,811,270**	4,542,898

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Share Capital $	Unit holder's capital $	Asset revaluation surplus $	Retained earnings $	Total equity $
Balance 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 at 1 July 2017		1	10	21,732	4,521,155	4,542,898
Operating Result from continuing operations		-	-	-	221,572	221,572
Increase in asset revaluation surplus		-	-	46,800	-	46,800
Total comprehensive income for the year		-	-	46,800	221,572	268,372
Balance at 30 June 2018		1	10	68,532	4,742,727	4,811,270

This statement is to be read in conjunction with the accompanying Notes and Significant Accounting Polices

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		1,331,993	1,316,697
Receipt of funding from Brisbane City Council		4,553,000	4,464,000
Payment to suppliers and employees		(5,757,738)	(5,843,901)
Interest Received		27,423	34,279
Net cash used in operating activities		154,678	(28,925)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		-	2,001
Payment for property, plant and equipment		(138,748)	(44,603)
Net cash used in investing activities		(138,748)	(42,602)
Net increase in cash held		15,930	(71,527)
Cash and cash equivalents at beginning of year		871,715	943,242
Cash and cash equivalents at end of financial year	5	887,645	871,715

This statement is to be read in conjunction with the accompanying Notes and Significant Accounting Polices

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

RECONCILIATION OF CONSOLIDATED CASH FLOW OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

	Note	2018 $	2017 $
Cash Flow Information			
Reconciliation of Operating Result to Net Cash Provided by Operating Activities			
Operating surplus/(deficit)		**221,572**	2,923,553
Non-cash items included in operating result			
Depreciation		**101,803**	103,196
Asset write-off		**33,878**	-
Value of artwork and collectibles donated	2	**(37,560)**	(2,770,755)
Changes in assets and liabilities			
Decrease/(Increase) in receivables		**(1,870)**	181,804
Decrease/(Increase) in other assets		**(59,265)**	(30,656)
(Decrease)/Increase in payables		**(88,708)**	(364,379)
(Decrease)/Increase in other liabilities		**(68,500)**	(19,653)
(Decrease)/Increase in provisions		**53,328**	(52,035)
Net Cash provided by Operating Activities		**154,678**	(28,925)

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 2017 to 30 June 2018.

They comply with the requirements of the *Corporations Act 2001* and the Australian Accounting Standards and interpretations issued by the Australia 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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement as the consolidated entity. The financial statement 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 account. 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.

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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

1(f) Adoption of New and Revised Accounting Standards

The Consolidated entity did not voluntarily change any of it's accounting policies during the financial year ended 30 June 2018. No new Australia Accounting Standards effective for the first time in 2017-2018 had any material impact on this consolidated financial report.

1(g) Authorisation of Consolidated Financial Statement 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 judgments

Where necessary judgments, 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).

NOTE 2: REVENUE

	2018 $	2017 $
Grant Revenue		
BCC funding	4,553,000	4,464,000
Other	135,747	343,082
	4,688,747	4,807,082
Sales Revenue		
Merchandise sales	258,029	125,075
	258,029	125,075
Other Revenue		
Artwork donations*	37,560	2,770,755
Corporate fundraising	161,500	180,682
Venue hire	6,404	54,081
Sponsorship in-kind	564,642	581,526
Interest income	27,423	34,279
Philanthropy	166,978	147,575
Public programs and education	68,051	36,332
Ticketing/tours revenue	211,016	-
One Million Stars community project	152,500	-
Other revenue	81,542	18,911
	1,477,616	3,824,141
Total Revenue	6,424,392	8,756,298

*Included in donations is an amount of $37,560 (2017: $2,770,755) representing the fair value of artwork and collectibles for no consideration.

NOTE 2: REVENUE (continued)

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.

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 he 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.

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED

NOTE 3: EMPLOYEE BENEFITS EXPENSE

	2018	2017
	$	$
Employee benefits expense		
Wages and salaries	**2,340,629**	2,200,116
Annual leave and long service leave provision expense	**241,249**	219,454
Superannuation contributions	**239,587**	217,743
Workers compensation premium	**12,008**	16,417
Payroll tax	**134,737**	125,004
Total	**2,968,210**	2,778,734

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 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. The liability is recognised based on the likelihood of employees' reaching 10 years of continuous service.

NOTE 3: EMPLOYEE BENEFITS EXPENSE (continued)

The likelihood of this occurring has been based on the following probability percentages:

Years of service	%
0-1 years	0
1-3 years	5
4-5 years	50
6 years	60
7 years	70
8-9 years	100
10 years +	100

The estimates are calculated using current pay rates, adjusted for projected future increases in those rates and includes related employee on-costs.

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 superfund's. Contributions are expensed in the period in which they are paid or payable.

NOTE 4: DEPRECIATION EXPENSE

	2018 $	2017 $
Depreciation of non-current assets		
- Plant and equipment	**73,616**	74,362
- Furniture and fittings	**28,187**	27,710
- Computer equipment	**-**	1,124
Total	**101,803**	103,196

NOTE 5: CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Cash on hand	1,500	1,500
Cash at bank	655,540	443,995
Cash on deposits	230,605	426,220
Total	887,645	871,715

For the purposes of the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows, cash assets include all cash and cheque's 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.

NOTE 6: PROPERTY, PLANT & EQUIPMENT

	2018	2017
	$	$
Plant and equipment		
Plant and equipment of cost	**851,531**	843,800
Accumulated Depreciation	**(460,069)**	(393,616)
	391,462	450,184
Furniture, fixtures and fittings at cost	**305,130**	295,849
Accumulated depreciation	**(136,065)**	(121,398)
	169,065	174,451
Computer Equipment at cost	**8,266**	8,266
Accumulated Depreciation	**(8,266)**	(8,266)
	-	-
Artwork and collectibles	**3,613,339**	3,461,804
Total Property, plant and equipment	**4,173,866**	4,086,439

NOTE 6: PROPERTY, PLANT & EQUIPMENT (continued)

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.

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, plan 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 form 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.

NOTE 6: PROPERTY, PLANT & EQUIPMENT (continued)

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 Judgment 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 an 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 PTY LTD AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: PROPERTY, PLANT & 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 costs 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 business services manager and revaluations are approved by the Director. At least once very 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 movement 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 increments arising on the revaluation of 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 Measurement* 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.

NOTE 6: PROPERTY, PLANT & EQUIPMENT (continued)

The consolidated entity's policy is to recognise transfers in and out of their fair value hierarchy level 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 $3,613,339 (2017 $3,461,804).

Specific valuation techniques used to derive fair values

Artwork and collectibles were comprehensively revalued to fair market value as at 30 June 2017. An independent valuation was performed by Ross Searle. The valuation was derived by reference to market based evidence including sales prices of comparable artworks and general art market conditions. In the intervening year, the Trust has conducted internal reviews of the collection, with any significant market changes in the collection being revalued accordingly.

Reconciliation of the carrying amount of property , plant and equipment at the beginning and end of the current financial year.

	Plant and equipment	Furniture, fixtures and fittings	Computer equipment	Artwork and collectibles	Total
30 June 2018	$	$	$	$	$
Balance at beginning of year	450,184	174,451	-	3,461,804	4,086,439
Additions	23,029	48,544	-	104,735	176,308
Disposals	(8,135)	(25,743)	-	-	(33,878)
Revaluation surplus	-	-	-	46,800	46,800
Depreciation expense	(73,616)	(28,187)	-	-	(101,803)
Balance at 30 June 2018	391,462	169,065	-	3,613,339	4,173,866
30 June 2017					
Opening carrying amount	524,546	198,129	1,125	630,746	1,354,546
Additions	-	11,940	-	2,809,326	2,821,266
Disposals	-	(7,908)	-	-	(7,908)
Revaluation surplus	-	-	-	21,732	21,732
Depreciation Expense	(74,362)	(27,710)	(1,125)	-	(103,197)
Balance at 30 June 2017	450,184	174,451	-	3,461,804	4,086,439

NOTE 7: PAYABLES

	2018	2017
	$	$
CURRENT		
Unsecured liabilities		
Trade Creditors	130,680	222,587
Other payables	116,840	113,641
Total	247,520	336,228

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

	2018	2017
	$	$
CURRENT		
Annual Leave	123,622	88,323
Long service leave	22,056	4,027
	145,678	92,350
(a) Number of employees at year end	48	35

Provisions

Provisions represent unpaid employee benefits in accordance with Note 3.

Movement in Provisions

	2018	2017
	$	$
Annual Leave		
Opening Carrying Amount	88,323	116,373
Provision/payment made during the year	35,299	(28,050)
Closing carrying amount	123,622	88,323

NOTE 8: PROVISIONS (continued)

	2018	2017
	$	$
Long Service Leave		
Opening Carrying Amount	4,027	28,012
Provision/payment made during the year	18,029	(23,985)
Closing carrying amount	22,056	4,027

NOTE 9: OTHER LIABILITIES

	2018	2017
	$	$
CURRENT		
Deferred sponsorship income	21,500	90,000

The deferred sponsorship income relates to sponsorship from third party corproate entities and as per the sponsorship agreement this is for financial year 2018/2019 This amount was paid in advance during the year 30 June 2018.

NOTE 10: EQUITY

	2018	2017
	$	$
Museum of Brisbane Pty Ltd		
Issued and paid-up capital		
Ordinary shares	1	1
Museum of Brisbane Trust		
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.

	2018	2017
Financial assets	$	$
Cash and cash equivalents	887,645	871,715
Trade receivables	11,500	9,630
Total	899,145	881,345
Financial liabilities		
Payables	247,520	336,228
Total	247,520	336,228

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.

NOTE 11: FINANCIAL RISK DISCLOSURE (continued)

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.

(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.

NOTE 11: FINANCIAL RISK DISCLOSURE (continued)

(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 receivable 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 Consolidation Statement of Financial Position that are based on discounted cash flows.

Year ended 30 June 2018	< 6 months $	6-12 months $	1-5 years $	Total contractual cash flows $	Carrying amount $
Payables	247,520	-	-	247,520	247,520
Net Maturities	247,520	-	-	247,520	247,520
Year ended 30 June 2017					
Payables	336,228	-	-	336,228	336,228
Net Maturities	336,228	-	-	336,228	336,228

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: CONTINGENCIES

The Directors are not aware of any contingent assets or liabilities as at 30 June 2018 (2017: $nil)

NOTE 13: COMMITMENTS

	2018	2017
	$	$
Operating lease commitments		
Non-cancelable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	**800,684**	763,555
- later than one year and not later than five years	**833,066**	1,543,211
	1,633,750	2,306,766

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 3 years and will expire in November 2020.

The Museum of Brisbane has no capital commitment at year-end (2017: $nil).

NOTE 14: EVENTS AFTER BALANCE DATE

There has been no matter or circumstance, which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2018, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2018, 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 became effective for reporting periods beginning on or after 1 January 2018 for for-profit entities. The application date for not-for profit entities has been extended to annual periods beginning on or after 1 January 2019 (refer to AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*).

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 a liability (unearned revenue) in the meantime).

The Consolidated entity will adopt this standard from 1 July 2019 in accordance with AASB 2016-7 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 1058 - *Income of Not-for-Profit Entities*

AASB 1058 replaces AASB1004 *Contributions*. This standard is effective from reporting periods beginning on or after 1 January 2019. 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 will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTE 15: FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

AASB 9 - *Financial Instruments and AASB2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

These Standards will become effective for 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 change the requirements for the classification, measurement, impairment and disclosures associated with the Consolidated entity's financial assets. AASB 9 introduces different criteria for whether financial assets can be measured at amortised cost or fair value. Financial assets are classified based on:

(i) the objective of the entity's business model for managing the financial assets; and

(ii) the characteristics of the contractual cash flows.

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. Financial assets of the Consolidated entity for the current financial year include (refer to Note 11):

- Cash and cash equivalents; and
- Receivables - at amortised cost.

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 results.

Another impact of AASB 9 related 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,

NOTE 15: FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

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 a fair value through other comprehensive income and recognition of these times.

The Consolidated entity will adopt this standard from 1 July 2018.

AASB 16 - *Leases*

The standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 *Leases* and for lessors 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 the profit of loss under AASB 16. For classification within the statement of cash flows, the lease payment 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 PTY LTD AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration Expense	2018	2017
Compensation received by key management personnel of the Company	$	$
- short-term employee benefits	**676,737**	627,064
- post-employment benefits	**59,154**	68,178
- termination benefits	**10,587**	3,269
- long term benefits	**1,200**	1,999
	747,678	**700,510**

NOTE 17: AUDITOR'S REMUNERATION

	2018	2017
	$	$
Audit and review of financial Statements		
Audit services		
- Queensland Audit Office	**16,400**	16,000

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 $4,553,000 (2017: $4,464,000).

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

	2018	2017
	$	$
Rent of premises	**713,929**	636,300
Electricity	**67,025**	92,537
Cleaning	**111,461**	98,180
Work cover	**5,345**	9,931
Legal services	**1,348**	1,137
Other expenses	**14,374**	9,656
Total	**913,482**	847,741

NOTE 18: RELATED PARTY TRANSACTIONS (continued)

Amounts owed to BCC for goods and services at 30 June 2018 is $48,174.

Transactions with other related parties

In 2017, 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 OF MUSEUM OF BRISBANE PTY LTD

	2018	2017
Statement of Comprehensive Income	**$**	**$**
Total surplus/(deficit)	37,396	40,504
Comprehensive Income	37,396	40,504
ASSETS		
Current Assets	840,486	852,105
Non-Current Assets	560,527	624,635
Total Assets	1,401,013	1,476,740
LIABILITIES		
Current Liabilities	405,458	518,578
Total Liabilities	405,458	518,578
Total Equity	995,555	958,162

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 2018, Museum of Brisbane had a contingent liability of $Nil (2017:$Nil).

Contractual commitments

At 30 June 2018, Museum of Brisbane Pty Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2017: $Nil).

NOTE 21: ECONOMIC DEPENDENCY

The continuation of the consolidated entity is dependent on the ongoing financial commitment from Brisbane City Council. For the 2018-2019 financial year, Council has approved funding of $4,644,000.

MUSEUM OF BRISBANE PTY LTD AND ITS CONTROLLED ENTITY

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The consolidated financial statements and notes, as set out on pages 2-35, 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 entity's financial position as at 30 June 2018 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
Christopher Michael Tyquin

Director
Andrew Edward Harper

Brisbane

Dated this TWENTY-FIRST day of SEPTEMBER 2018

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INDEPENDENT AUDITOR’S REPORT

To the Members of the Museum of Brisbane Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the 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 2018, and its financial performance and cash flows for the year then ended

b) complies with Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, 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 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 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 2018 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 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.

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- 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.

26 September 2018

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane