

Financial Statements

year ended 30 June 2016



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General Information

The financial statements cover New England Regional Art Museum Limited as a consolidated entity consisting of New England Regional Art Museum Limited and the entities it controlled at the end of, or during, the year. Each of the entities within the consolidated entity prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is New England Regional Art Museum Limited's functional and presentation currency.

New England Regional Art Museum Limited is a not-for-profit unlisted company limited by guarantee, incorporated and domiciled in Australia. New England Regional Art Museum Limited is registered with the Australian Charities and Not-for-profits Commission. Its registered office and principal place of business is: 106-114 Kentucky Street Armidale NSW 2350

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29th November, 2016.

DIRECTORS' REPORT

For the Year Ended 30 June 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of New England Regional Art Museum Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Information on directors

The following persons were directors of New England Regional Art Museum Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Andrew Murray	(Chair)
Stephen Gow	(Deputy Chair)
Carolyn Cooper	(Treasurer/Secretary - Resigned May 2016)
Lancelot Lloyd	
Malcolm Beasley	
Mary-Louise Conway	
Sandra McMahon	(Resigned April 2016)
Lucinda Wright	
Murray Guest	

Kathleen Steinhardt attended the April board meeting as an observer and commenced as Treasurer/Secretary in July 2016.

Carly McLaren attended June board meeting as observer and commenced as Director in September 2016.

Principal activities

During the year, the principal activity of the consolidated entity was the operation of a regional cultural facility which manages and cares for nationally significant art collections, and which plans and delivers a dynamic calendar of exhibitions with associated public and educational programs.

No significant change in the nature of these activities occurred during the year.

Short term objectives

The Consolidated Entity's short term objectives are to provide a well-resourced cultural centre that embraces dialogue, interaction and learning; that encourages the exploration and discovery of our outstanding collections; and that connects our community and its visitors with art.

Long term objectives

The Consolidated Entity's long term objective is to make the New England Regional Art Museum the premier regional art museum in Australia.

Strategy for achieving the objectives

Ensure that the New England Regional Art Museum is a thriving artistic facility that will enrich the cultural and artistic experience of visitors and the community of New England through education, artistic activities and the preservation and promotion of its iconic collections.

How principal activities assisted in achieving the objectives

New England Regional Art Museum Limited, (NERAM), is exploring and pursuing opportunities that develop community connected and community created content, partnering with regional organisations to integrate arts and cultural activities in community life. It aims to engage more culturally diverse and youth audiences; taking advantage of online, social and digital pathways for greater access.

DIRECTORS' REPORT

For the Year Ended 30 June 2016

Strategic exhibition planning is engaging past and new audiences with exhibitions which have a strong focus on local and regional stories, from regional artists to our own unique collections. NERAM plans to continue this strategic alignment to generate a high buy-in from the community. New and dynamic initiatives include participatory and interactive events and exhibitions which are attracting a younger and more diverse audience. Social media and digital technologies are also delivering new avenues of connecting to audiences in innovative ways and which provide numerous opportunities to raise NERAM's profile. This, in turn, assists the Art Museum in presenting itself as an attractive partner organisation and a magnet for more diverse funding opportunities.

NERAM is developing a range of creative initiatives that are significant in addressing and highlighting the role the arts can play in the increasing issues of health and wellbeing in the context of an ageing population. NERAM is at the forefront of establishing links between local Aged Care facilities, community organisations and youth through its innovative intergenerational projects. NERAM's art and health programs will continue to expand, which foster arts participation, enhance quality of life, and improve community wellbeing.

NERAM, known for its outstanding collections and innovative programming, is a significant arts centre through its work with local and regional community groups and through partnership arrangements with corporate, social and cultural organisations. Our committed and creative staff is well supported by dedicated volunteers and a strong community support base. NERAM is optimistic and committed to achieving success and growth for the future, continuing to play a significant and enthusiastic role in the cultural life of Armidale and the New England region.

Performance measures

The following Critical Success Factors and Key Performance Measures (KPIs) are used by the consolidated entity to monitor performance:

CSF1: Sustainable and fiscally responsible business practices

Consists of the following strategic objectives:

- Diversify our funding and income opportunities
- Ensure that the building is sustainable, energy efficient, functional, aesthetically pleasing and well maintained.

CSF2: Building and strengthening NERAM community relationships and partnerships

Consists of the following strategic objectives:

- Strengthen all groups (Friends of NERAM, Packsaddle, NERAM Foundation and Board) with a shared vision and purpose and improve consultation and communication

CSF3: An ability to develop innovative and engaging programs for the whole community

Consists of the following strategic objectives:

- Continue to increase visitation and participation in NERAM activities (exhibitions, events, projects and education programs) through community participation and audience development.
- Market and strengthen the Permanent Collections as a resource for the whole community
- Build NERAM's profile, and develop strong identity and message

CSF4: A skilled and quality workforce

Consists of the following strategic objectives:

- Review and support NERAM's staffing structure and closely monitor overtime and workload issues
- Maintain a strong volunteer program with emphasis on training and effective use of skills.

Members guarantee

New England Regional Art Museum Limited is incorporated under the Corporations Act and is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$10. At 30 June 2016 the collective liability of members was \$ 2,610 (2015: \$ 3,960).

DIRECTORS' REPORT

For the Year Ended 30 June 2016

Information on directors

Andrew Murray	Chair
Qualifications	Business Advisor and Investor
Experience	The Armidale School Board 14yrs to 2011- former Chair (10 Years) The Armidale School Foundation - Director Phoenix Foundary Pty Ltd - Chair Phoenix Bronze Resources LLC USA - Director Exhibition Centre Pty Ltd - Director
Stephen Gow	Deputy Chair
Qualifications	Previous Director - Sustainable Planning and Living at Armidale Dumaresq Council
Experience	Fellow of Planning Institute of Australia (Retired) Board Member of local sustainability organisation Starfish Initiatives Treasurer - Australian Decorative and Fine Arts Society
Carolyn Cooper	Treasurer/Company Secretary
Qualifications	Chief Operating Officer - Roberts and Morrow Chartered Accountants
Experience	Member - Chartered Accountants Australia and New Zealand Member - CPA Previous Senior Director Australian National Audit Office - 7 years Armidale Dumaresq Council Audit Committee
Lancelot Lloyd	Director, Chair NERAM Foundation
Qualifications	Past Chairman -Friend of NERAM
Experience	Deputy Chairman - Australian Tourism Export Council Ltd (ATEC) Board Member - Armidale Diocesan Investment Group Past Chairman - Australian Travel Agents Cooperative Former ADC to Governor of NSW Sir Roden Cutler
Sandra McMahon	Director; Chair Collections Advisory Committee
Qualifications	Director & co-owner - WESWAL Gallery Tamworth
Experience	Previously Director Tamworth Regional Gallery and Manager Tamworth Powerstation Museum Previously 15 years experience in numerous regional galleries as curator and public programs Previous painting and drawing teacher at various TAFEs
Malcolm Beasley	Director
Qualifications	Managing Director - Beasley Consulting Pty Ltd
Experience	Management and Strategic Planning Consultant Founder, Chair & Managing Director - FMRC Legal Pty Ltd Fellow Certified Practicing Accountant (Ret)
Mary-Louise Conway	Director
Qualifications	UNE Business School Academic
Experience	Member of the European Group for Organisational Structure Past Board Member - Armidale Business Chamber

DIRECTORS' REPORT

For the Year Ended 30 June 2016

Lucinda Wright Director
Qualifications Migration Consultant - Legal Minds
Experience Previous Department of Foreign Affairs and Trade with overseas postings in Spain and Latin America
 Processing Officer for Department of Immigration and Citizenship
 Previous migration agent for Pricewaterhouse Coopers
 Previous Member - Migration Review Tribunal (8 years)

Murray Guest Director
Qualifications Headmaster - The Armidale School July 1998
Experience Member - Australian College of Education
 Member - Australian College of Educational Leaders

Meetings of directors

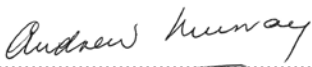
During the financial year, 10 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Andrew Murray	10	10
Stephen Gow	10	9
Carolyn Cooper	9	7
Lancelot Lloyd	10	8
Malcolm Beasley	10	10
Mary-Louise Conway	10	8
Sandra McMahon	9	6
Lucinda Wright	10	8
Murray Guest	10	6

Auditor's independence declaration

The auditor's independence declaration in accordance with section 60-40 of the *Australian Charities and Not-for-profits Commissions Act 2012* for the year ended 30 June 2016 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: 
 Andrew Murray

Director: 
 Kathleen Steinhardt

Dated this 29th day of November 2016.

Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commissions Act 2012 to the Directors of New England Regional Art Museum Limited and Controlled Entities



I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commissions Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF Lawler Warburtons Audit & Assurance Pty Ltd

Margaret van Aanholt
Director

28 November 2016

Tamworth NSW 2340

**PKF Lawler Warburtons
Audit & Assurance Pty Ltd**
ABN 39 082 276 506
Registered Auditor No:306435

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Revenue	4 235,660	252,438
Cost of sales	(116,761)	(91,683)
Donations	4 1,486,842	72,956
Grant income	4 570,635	703,108
Other Income	4 127,531	73,055
Employee benefit expenses	5 (392,411)	(330,977)
Depreciation	5 (38,017)	(27,743)
Finance expense	5 (4,923)	(54,696)
Occupancy expense	(163,314)	(135,394)
Collection expense	(50,279)	(53,288)
Public Program expense	(74,815)	(33,764)
Administration expense	(72,709)	(50,379)
Marketing and Promotions expense	(25,106)	(11,742)
Project grant expense	(16,562)	(52,481)
Board expense	(2,160)	(3,086)
Shop expense	(24,837)	(1,833)
Other expenses	(1,681)	(5,648)
Deaccessioned artwork	(4,244)	-
Profit from operations	1,432,849	248,843
Decrement on revaluation	(681,697)	(2,170,971)
Profit before tax	751,152	(1,922,128)
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Revaluation changes for property, plant and equipment	174,902	(78,833)
Items that will be reclassified to profit or loss when specific conditions are met		
Net fair value movements for available-for-sale financial assets	(107,208)	(33,866)
Other comprehensive income for the year, net of tax	67,694	(112,699)
Total comprehensive income for the year	818,846	(2,034,827)

The accompanying notes form part of these financial statements.

Statement of Financial Position

30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	500,660	397,788
Trade and other receivables	7	128,868	182,051
Inventories	8	28,237	54,140
Prepayments	9	28,713	18,939
TOTAL CURRENT ASSETS		<u>686,478</u>	<u>652,918</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	26,355,001	25,365,581
Financial assets	11	566,547	602,987
TOTAL NON-CURRENT ASSETS		<u>26,921,548</u>	<u>25,968,568</u>
TOTAL ASSETS		<u>27,608,026</u>	<u>26,621,486</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	178,562	80,179
Short-term provisions	13	11,823	20,805
Other liabilities	14	482,807	325,834
TOTAL CURRENT LIABILITIES		<u>673,192</u>	<u>426,818</u>
NON-CURRENT LIABILITIES			
Long-term provisions	13	538	-
Other liabilities	14	-	79,216
TOTAL NON-CURRENT LIABILITIES		<u>538</u>	<u>79,216</u>
TOTAL LIABILITIES		<u>673,730</u>	<u>506,034</u>
NET ASSETS		<u>26,934,296</u>	<u>26,115,452</u>
EQUITY			
Yellow Room Appeal	15	6,818	6,818
Revaluation Surplus	15	509,306	334,404
Retained earnings		26,418,172	25,774,229
Total equity attributable to equity holders of the Company		<u>26,934,296</u>	<u>26,115,451</u>
TOTAL EQUITY		<u>26,934,296</u>	<u>26,115,451</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2016

2016

	Retained Earnings	Yellow Room Appeal	Asset Realisation Reserve	Total
Note	\$	\$	\$	\$
Balance at 1 July 2015	25,774,228	6,818	334,404	26,115,450
Comprehensive Income				
Profit for the year	751,152	-	-	751,152
Other comprehensive income for the year				
Net fair value loss on available for sale financial assets	(107,208)	-	-	(107,208)
Movement in revaluation of Collections	-	-	174,902	174,902
\ 30 June 2016	26,418,172	6,818	509,306	26,934,296

2015

	Retained Earnings	Yellow Room Appeal	Asset Realisation Reserve	Total
Note	\$	\$	\$	\$
Balance at 1 July 2014	27,730,225	6,818	413,237	28,150,280
Comprehensive Income				
Profit for the year	(1,922,131)	-	-	(1,922,131)
Other Comprehensive Income				
Net fair value loss on available for sale financial assets	(33,866)	-	-	(33,866)
Gain/(Loss) on revaluation of Collections	-	-	(78,833)	(78,833)
Balance at 30 June 2015	25,774,228	6,818	334,404	26,115,450

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		1,122,581	1,033,203
Payments to suppliers and employees		(849,991)	(883,057)
Dividends received		47,572	28,636
Interest received		6,044	8,268
Net cash provided by/(used in) operating activities	23	<u>326,206</u>	<u>187,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		-	129,591
Purchase of property, plant and equipment		(152,566)	(334,785)
Payment of subsidiary, net of cash acquired		-	(151,663)
Purchase of financial assets		(70,768)	105,039
Net cash used by investing activities		<u>(223,334)</u>	<u>(251,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase/(decrease) in cash and cash equivalents held		102,872	(64,768)
Cash and cash equivalents at beginning of year		<u>397,788</u>	462,556
Cash and cash equivalents at end of financial year	6	<u><u>500,660</u></u>	<u><u>397,788</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Comparatives are consistent unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. New England Regional Art Museum Limited and the entities it controlled are referred to in these financial statements as the 'consolidated entity'. The controlled entities are:

- The New England Regional Art Museum Foundation
- The Howard Hinton Trust; and
- The Chandler Coventry Trust

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purposes of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cashflows where the accounting policies used by that entity are different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the consolidated entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(a) Revenue and other income continued

Grant revenue continued

statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

New England Regional Art Museum Limited and controlled entities receive non-reciprocal contributions of assets from the government and other parties of zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Donations and contributions

Donations and bequests are recognised as revenue when received. Contributions to the Collection are recognised as revenue when the entity obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the entity, and the amount of the contribution can be measured reliably. Contributions are measured at their fair value.

Dividend revenue

Dividends are recognised when the entity's right to receive payment is established.

Fundraising

Events, fundraising and raffles are recognised when received or receivable.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

(b) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(c) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the consolidated entity becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

The consolidated entities' financial assets are divided into the following categories which are described in detail below:

- loans and receivables; and
- available-for-sale financial assets.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Consolidated Entity's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Consolidated Entity's available-for-sale financial assets comprise listed securities.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(e) Financial instruments continued

Financial Assets continued

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income. Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss. Losses recognised in the prior period consolidated statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss

Available for sale assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Impairment of Financial Assets

At the end of the reporting period the consolidated entity assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. Impairment on loans and receivables is reduced through the use of an allowance accounts. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the consolidated entity uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Consolidated Entity's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost at the date of acquisition.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Collection Assets

Collection assets (including artworks) are carried at fair value based on independent and Director's valuations, and in line with the company valuation policy. The increases in the value of these assets are recorded in the asset revaluation reserve. Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

Plant and equipment

Plant and equipment are measured using the cost basis, and are carried at cost less any accumulated depreciation and any impairment losses. In the event. Historical cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Depreciation

Plant and equipment, is depreciated on a straight-line basis over the assets useful life to the consolidated entity, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	5-40%
Furniture, Fixtures and Fittings	5-25%
Motor Vehicles	12.5%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(i) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - Valuation of Collection Assets

The collection assets are valued in line with the NERAM Valuation and Stocktaking Policy. The policy provides for the revaluation of the Collection to be undertaken by an independent qualified valuer in line with the set valuation schedule which staggers valuations over a 5 year cycle. The collection assets are categorised as follows:

Category A - artworks valued over \$250,000;

Category B - artworks valued between \$10,000 and \$250,000; and

Category C - artworks valued under \$10,000

Category A and B artworks are formally valued by an independent valuer every 5 years per the schedule, Category C artworks are re-valued by the Directors every 5 years, and during the 5 year interval all collections are globally revalued at 2% every year, subject to an assessment by the Board of Directors.

The collection's assets were independently valued by Matt Henry Art Broker (Category A Artwork was revalued in October 2012, Category B was revalued in December 2014 and in June 2016). The valuation was based on the market value of pieces based on observable market information. The critical assumptions adopted in determining the valuation included the assessment of recent actions and the significance and quality of the work.

At 30 June 2016, the directors have reviewed the key assumptions adopted by the valuer, and do not believe there has been a change in assumptions. Directors acknowledge that due to the difficulty in valuing all collections in one financial period, not all artworks are valued at market value, particularly the Category C artworks, and note that this methodology is inconsistent with the requirements of the Australian Accounting Standards, in particular AASB 13 *Fair Value Measurement*.

Notes to the Financial Statements

For the Year Ended 30 June 2016

3 Critical Accounting Estimates and Judgments continued

Key estimates - Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2016

4 Revenue and Other Income

	2016	2015
	\$	\$
Operating activities		
- Shop sales	86,352	69,344
- Collection Income	1,565	10,145
- Public Programmes and exhibitions	117,986	98,639
- Consignment sales	29,757	25,289
	<u>235,660</u>	<u>203,417</u>
Donations	1,486,842	72,956
Revenue from grants		
- Armidale Dumaresq Council	322,117	314,568
- Arts NSW	30,000	45,000
- Margaret Olley Trust	112,885	80,082
- Art of Wool, Australia Council	35,311	-
- Community Heritage	8,660	-
- Capital grants	-	250,000
- UNESAP	4,895	7,889
- Department of Justice	50,000	-
- Regional Arts NSW	3,000	2,100
- Other organisations	3,766	3,469
	<u>570,634</u>	<u>703,108</u>
Other revenue		
- Interest received	6,044	8,268
- Dividends and franking credits	45,207	44,112
- Member subscriptions	13,327	13,249
- Fundraising	28,160	(1,520)
- Sundry Income	25,156	8,946
- Insurance recoveries	9,637	-
	<u>127,531</u>	<u>73,055</u>
Total Revenue	<u><u>2,420,667</u></u>	<u><u>1,052,536</u></u>
	2016	2015
	\$	\$
Other Income		
- Gain on disposal of property, plant and equipment	-	49,021
Total Revenue and Other Income	<u><u>2,420,667</u></u>	<u><u>1,101,557</u></u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

5 Result for the Year

The result for the year includes the following specific expenses:

	2016	2015
	\$	\$
Finance Costs		
Finance expense	4,923	54,696
Other expenses:		
Audit fees	7,500	5,190
Bad and doubtful debts	(1,359)	5,293
Net loss on disposal of property, plant and equipment	4,244	-
Rent	10,000	11,413
Electricity	76,276	65,177
Depreciation expenses	38,017	27,743
Employee benefits expenses		
Salary and wages	310,952	251,928
Superannuation contributions	26,891	28,260
Other employment expenses	54,568	50,789
Total employee benefits expense	<u>392,411</u>	<u>330,977</u>

6 Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash on hand	250	250
Bank balances	500,410	397,538
	<u>500,660</u>	<u>397,788</u>

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2016	2015
	\$	\$
Cash and cash equivalents	<u>500,660</u>	397,788
Balance as per statement of cash flows	<u>500,660</u>	<u>397,788</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

7 Trade and Other Receivables

	2016	2015
	\$	\$
CURRENT		
Trade and other receivables	106,234	168,689
Provision for impairment	(902)	(5,782)
	<u>105,332</u>	<u>162,907</u>
Sundry debtors	<u>23,536</u>	<u>19,144</u>
Total current trade and other receivables	<u>128,868</u>	<u>182,051</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

8 Inventories

	2016	2015
	\$	\$
CURRENT		
At cost:		
Stock on hand - NERAM Shop	20,750	35,020
Stock on hand - Art stock	7,487	19,120
	<u>28,237</u>	<u>54,140</u>

9 Other Assets

	2016	2015
	\$	\$
CURRENT		
Prepayments	<u>28,713</u>	<u>18,939</u>
	<u>28,713</u>	<u>18,939</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

10 Property, plant and equipment

PLANT AND EQUIPMENT

Plant and equipment

At cost

538,260 536,462

Accumulated depreciation

(178,850) (142,229)

Total plant and equipment

359,410 394,233

Furniture, fixtures and fittings

At cost

164,018 28,692

Accumulated depreciation

(5,177) (3,988)

Total furniture, fixtures and fittings

158,841 24,704

Motor vehicles

At cost

15,441 -

Accumulated depreciation

(206) -

Total motor vehicles

15,235 -

COLLECTION ASSETS

NERAM Collection at fair value

2,829,277 2,578,030

Museum of Printing collection at fair value

238,640 234,169

Hinton Collection at fair value

20,888,487 20,233,178

Coventry collection at fair value

1,865,111 1,901,267

26,355,001 25,365,581

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Collection Assets	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Total
Consolidated	\$	\$	\$	\$	\$
Year ended 30 June 2016					
Balance at the beginning of year	24,946,644	394,233	24,704	-	25,365,581
Additions	1,385,910	1,798	135,326	15,442	1,538,476
Disposals/deaccessioned	(4,244)	-	-	-	(4,244)
Depreciation expense	-	(36,622)	(1,188)	(207)	(38,017)
Revaluation increase recognised in equity	174,902	-	-	-	174,902
Revaluation increase recognised in profit and loss	(681,697)	-	-	-	(681,697)
Balance at the end of the year	25,821,515	359,409	158,842	15,235	26,355,001

Notes to the Financial Statements

For the Year Ended 30 June 2016

11 Financial assets

	2016	2015
	\$	\$
NON-CURRENT		
Available for sale financial assets	566,547	602,987
	<u>566,547</u>	<u>602,987</u>

12 Trade and Other Payables

	2016	2015
	\$	\$
CURRENT		
Trade payables	87,476	24,418
GST payable	2,286	31,505
Accrued expenses	74,578	10,433
Other payables	14,222	13,823
	<u>178,562</u>	<u>80,179</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

13 Provision for employee entitlements

	2016	2015
	\$	\$
CURRENT		
Annual Leave	9,333	20,805
Long Service Leave	2,490	-
	<u>11,823</u>	<u>20,805</u>
	<u>2016</u>	<u>2015</u>
	\$	\$
NON-CURRENT		
Long Service Leave	538	-
	<u>538</u>	<u>-</u>

14 Other Liabilities

	2016	2015
	\$	\$
CURRENT		
Armidale Regional Council Loan	152,473	67,020
Unspent grant funds	210,872	178,285
Income received in advance	119,462	80,529
	<u>482,807</u>	<u>325,834</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

14 Other Liabilities continued

	2016	2015
	\$	\$
NON-CURRENT		
Armidale Regional Council Loan	-	79,216
	<u>-</u>	<u>79,216</u>

Following an Ordinary Council Meeting of the Armidale Regional Council on 29th June 2016, the debt of \$152,473 to the Armidale Regional Council will be waived to an amount of \$100,000 contingent upon the consolidated entity making payments towards this debt to the amount of \$52,473. The debt of \$52,473 was subsequently settled in August 2016 and the balance of the debt has been forgiven.

15 Reserves

Revaluation surplus

The asset revaluation reserve records the revaluation of non-current assets., Where revaluations are deemed to represent profits of a permanent nature, dividends may be declared from this reserve.

Yellow Room

The Yellow Room reserve records the funds received to date for the acquisition of Margaret Olley's The Yellow Room Triptych less costs.

	2016	2015
	\$	\$
Revaluation surplus		
Opening balance	334,404	413,237
Movement in revaluation	174,902	(78,833)
	<u>509,306</u>	<u>334,404</u>
Yellow Room Appeal Reserve		
Opening balance	6,818	6,818
	<u>6,818</u>	<u>6,818</u>
Total	<u>516,124</u>	<u>341,222</u>

16 Capital and Leasing Commitments

Operating Leases

Operating leases have been have been taken out for the rental of the premises occupied by the Gallery.

Notes to the Financial Statements

For the Year Ended 30 June 2016

17 Financial Risk Management

The Consolidated Entity's financial instruments consist mainly of deposits with banks, local money market instruments, short term investments, accounts receivable and accounts payable.

The Consolidated Entity does not have any material credit risk exposure to any single receivable or group of receivables. Refer to Note 20 for the fair value measurement of the consolidated entity's financial assets and liabilities.

18 Key Management Personnel Disclosures

One key management personnel exists but non-compliance with AASB 124 has been chosen as not to breach the confidentiality of the Company.

19 Fair Value Measurement

The Consolidated Entity measures the Collections at fair value on a recurring basis:

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the consolidated entity:

	Level 1	Level 3	Total
	\$	\$	\$
30 June 2016			
Recurring fair value measurements			
Collection	-	25,821,515	25,821,515
Shares in listed companies	566,547	-	566,547
	566,547	25,821,515	26,388,062
	Level 1	Level 3	Total
	\$	\$	\$
30 June 2015			
Recurring fair value measurements			
Collection	-	24,946,644	24,946,644
Shares in listed companies	602,987	-	602,987
	602,987	24,946,644	25,549,631

Notes to the Financial Statements

For the Year Ended 30 June 2016

20 Auditors' Remuneration

	2016	2015
	\$	\$
Remuneration of the auditor of the consolidated entity, PKF Lawler Warburtons Audit & Assurance Pty Ltd for:		
- auditing the financial statements	5,950	4,000
- assistance with preparation of the financial statements	4,500	3,500
	<u>10,450</u>	<u>7,500</u>

21 Contingencies

Contingent Assets

Following an Ordinary Council Meeting of the Armidale Regional Council on 29th June 2016, the consolidated entity's debt of \$152,473 to the Armidale Dumaresq Council recorded in the statement of financial position will be waived to an amount of \$100,000 contingent upon the consolidated entity making payments towards this debt to the amount of \$52,473.

The consolidated entity did not have any contingent liabilities at 30 June 2016 (30 June 2015:None).

22 Related Parties

(a) The Consolidated Entity's main related parties are as follows:

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 18: Key Management Personnel Disclosures.

Other transactions with KMP and their related entities are shown below.

(ii) Other related parties include close family members of key management personnel and entities that are controlled.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Notes to the Financial Statements

For the Year Ended 30 June 2016

22 Related Parties continued

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There were no trade receivables from or trade receivables to related parties at the current and reporting period. There were no loans to or from related parties at the current and previous reporting date.

23 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2016	2015
	\$	\$
Profit for the year	751,152	(1,922,131)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- artwork donations at fair value	(1,385,910)	-
- depreciation	38,017	27,743
- (gain)/loss on revaluation of property, plant and equipment through profit and loss	681,697	2,170,971
- (gain)/loss on disposals/deaccessioning of property, plant and equipment	4,244	(49,521)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	53,181	(164,912)
- (increase)/decrease in prepayments	(9,774)	10,738
- (increase)/decrease in inventories	25,903	(3,514)
- increase/(decrease) in trade and other payables	176,140	116,173
- increase/(decrease) in provisions	(8,444)	1,503
Cashflow from operations	<u>326,206</u>	<u>187,050</u>

24 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ 10 each towards meeting any outstandings and obligations of the Company. At 30 June 2016 the number of members was 2,610 (2015: 3,960).

Notes to the Financial Statements

For the Year Ended 30 June 2016

25 Economic Dependency

New England Regional Art Museum Limited is economically dependent on the Armidale Dumaresq Council under a twenty year funding agreement. At the date of this report, the Board of Directors has no reason to believe the Armidale Dumaresq Council will not continue to support New England Regional Art Museum Limited, and accordingly, the financial statements have been prepared on a going concern basis.

26 Events after the end of the Reporting Period

The financial report was authorised for issue on 29 November 2016 by the Board of Directors.

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

27 Parent entity

The following information has been extracted from the books and records of the parent, New England Regional Art Museum Limited, and has been prepared in accordance with Accounting Standards.

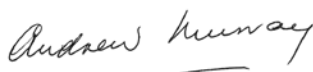
	2016	2015
	\$	\$
Statement of Financial Position		
Assets		
Current assets	620,785	595,856
Non-current assets	3,601,403	3,231,136
Total Assets	<u>4,222,188</u>	<u>3,826,992</u>
Liabilities		
Current liabilities	688,960	440,589
Non-current liabilities	538	79,216
Total Liabilities	<u>689,498</u>	<u>519,805</u>
Equity		
Retained earnings	3,016,564	2,965,964
Yellow Room Appeal Reserve	6,818	6,818
Asset realisation reserve	509,307	334,404
Total Equity	<u>3,532,689</u>	<u>3,307,186</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	50,600	232,691
Other comprehensive income	174,902	(78,833)
Total comprehensive income	<u>225,502</u>	<u>153,858</u>

Directors' Declaration

The directors declare that in the responsible persons' opinion:

- there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Director 
Andrew Murray

Director 
Kathleen Steinhardt

Dated this 29th day of November 2016

Report on the Financial Report

We have audited the accompanying financial report of New England Regional Art Museum Limited and Controlled Entities, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity and its controlled entities.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*.

PKF Lawler Warburtons
Audit & Assurance Pty Ltd
ABN 39 082 276 506
Registered Auditor No:306435

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Independent Auditor's Report to the members of New England Regional Art Museum Limited and Controlled Entities



Opinion

In our opinion the financial report of New England Regional Art Museum Limited and Controlled Entities has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Emphasis of Matter

Without modifying our opinion, We draw attention to Note 3 to the financial statements, "Key Estimates - Valuation of Collection Assets". Note 3 acknowledges a departure from Australian AASB 13 *Fair Value Measurement*. As the total collections have not been valued in accordance with AASB 13 *Fair Value Measurement*, material uncertainty exists as to the fair value measurement of the Collection Assets.

We draw attention to note 18 in the financial statements "Key Management Personnel Disclosures". One key management personnel exists but non-compliance with AASB 124 *Related Party Disclosures* has been chosen not to breach the confidentiality of the entity. Our opinion is not modified in respect of this matter.

PKF Lawler Warburtons Audit & Assurance Pty Ltd

Margaret van Aanholt
Director

Tamworth, NSW

Dated this 30th day of November, 2016

PKF Lawler Warburtons
Audit & Assurance Pty Ltd
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Registered Auditor No:306435

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