

NEW ENGLAND REGIONAL ART MUSEUM LIMITED & CONTROLLED ENTITIES

ABN 47 131 297 731

Financial report for the year ended 30 June 2015

DIRECTORS' REPORT

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') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

The names of each person who has been a director of the company during the year and to the date of this report are:

Andrew Murray
Stephen Gow
Murray Guest
Lancelot (Peter) Lloyd
Carolyn Cooper
Malcolm (Sam) Beasley
Mary-Louise Conway
Sandra McMahon (Appointed April 2015)
Lucinda Wright (Appointed November 2014)
Gorm Kirsch (Resigned 1 February 2015)
Jane Kreis (Appointed September 2014, Resigned March 2015)

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

Objectives

The short term objectives of the consolidated entity 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.

The long term objective of the consolidated entity 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.

DIRECTORS' REPORT

Principal Activities

The principal activity of the consolidated entity during the financial year 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.

How the principal activities are contributing to achieving the objectives.

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.

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 consolidated entity measures its performance by the following Critical Success Factors and KPIs

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

DIRECTORS' REPORT

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.

Information on directors

Andrew Murray (Chair)

- Investor and advisor, former Business owner
- The Armidale School Council - Chairman 10 yrs
- The Armidale School Foundation - Director
- Richardsons Hardware and Agriculture - Director
- Armidale Business Chamber, Past president

Stephen Gow (Deputy Chair)

- Previous Director Sustainable Planning and Living at Armidale Dumaresq Council.
- Fellow of the Planning Institute of Australia (Retired)
- Board member of local sustainability organisation Starfish Initiatives
- Treasurer, Australian Decorative and Fine Arts Society (Armidale)

Carolyn Cooper (Treasurer/ Company Secretary)

- Chief Operating Officer - Roberts and Morrow Chartered Accountants
- Member of the Chartered Accountants Australia and New Zealand and CPA Australia
- Previous Senior Director Australian National Audit Office -7 years
- Armidale Dumaresq Council Audit Committee

Sam Beasley (Director)

- Currently Managing Director of Beasley Consulting Pty Ltd
- Management and Strategic Planning Consultant
- Founder, Chair & Managing Director FMRC Legal Pty Ltd -- a Management Consulting, Advisory, Training and Financial Benchmarking firm
- Fellow Certified Practising Accountant (Ret)

Peter Lloyd (Director; Chair NERAM Foundation)

- Friends of NERAM - Past Chairman
- Australian Tourism Export Council LTD (ATEC) – Deputy Chairman
- Armidale Diocesan Investment Group – Board Member
- Australian Travel Agents Cooperative (ATAC) - Past Chairman
- Australian Defence Force – Former ADC to Governor of NSW Sir Roden Cutler

DIRECTORS' REPORT

Mary-Lou Conway (Director)

- UNE Business School Academic
- Member of the European Group for Organizational Studies
- Past Board Member of Armidale Business Chamber

Murray Guest (Director)

- Headmaster, The Armidale School July 1998
- Australian College of Education, Member
- Australian College of Educational Leaders, Member

Sandra McMahon (Director; Chair - Collections Advisory Committee)

- Director and co-owner of WESWAL Gallery Tamworth
- 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

Lucinda Wright (Director)

- Migration Consultant, Legal Minds
- 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 PricewaterhouseCoopers
- Previous Member of the Migration Review Tribunal (8 years)

Gorm Kirch (Director) (Resigned February 2015)

- Proprietor / Managing Director Home Nursing Group
- Former Director, Senior Living, Corporate Finance Group, Babcock and Brown
- Former General Manager, Moran Health Care Group
- Over 25 years experience in private and public health care
- Master of Public Health (Columbia) 1992 and Master of Economics (John Hopkins) 1997

Dr Jane Kreis (Director) (resigned March 2015)

- Regional Development Officer and Executive Officer, Arts North West
- Background in theatre and performance arts
- Previously Executive Manager, Queensland Academy of Arts and Sciences (2002-2004)

Company Secretary

Carolyn Cooper has held the role of company secretary since 16 April 2014.

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Andrew Murray	11	11
Stephen Gow	11	9
Murray Guest	11	6
Lancelot (Peter) Lloyd	11	7
Carolyn Cooper	11	8
Malcolm (Sam) Beasley	11	9
Mary-Louise Conway	11	8
Sandra McMahon	3	2
Lucinda Wright	11	10
Gorm Kirsch	6	4
Jane Kreis	4	2

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 \$10.00 each towards meeting any outstanding obligations of the entity. At 30 June 2015, the total amount that members of the company are liable to contribute if the company is wound up is \$3,960 (2014: \$2,310).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 6 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Director:



Director:



Dated 09.12.2015

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF NEW ENGLAND REGIONAL ART MUSEUM LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

PKF Lawler Warburtons Audit & Assurance Pty Limited

Margaret van Aanholt

Margaret van Aanholt

Director

Dated this 9th day of .. December .., 2015

Tamworth

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

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015	2014
		\$	\$
Revenue	3	252,434	232,527
Cost of Goods Sold		(91,696)	(61,351)
Other income	3	849,119	633,105
Employee benefits expense	4	(330,977)	(334,989)
Depreciation and amortisation expense	4	(27,743)	(27,651)
Finance costs	4	(50,596)	(14)
Occupancy expense		(135,394)	(132,397)
Collection expense		(53,288)	(41,804)
Public Program expense		(33,764)	(33,935)
Administration expense		(50,379)	(55,063)
Marketing and promotion expense		(11,742)	(19,971)
Project grant expense		(52,481)	(15,382)
Board expense		(3,086)	(5,373)
Shop expenses		(1,819)	(1,752)
Other expenses		(9,748)	(4,951)
<i>Operating Profit</i>		<u>248,840</u>	<u>130,999</u>
Increment/(Decrement) on Revaluation of Artwork		(2,170,971)	(14,397,790)
Profit before income tax		<u>(1,922,131)</u>	<u>(14,266,791)</u>
Income tax expense		-	-
Profit for the year		<u>(1,922,131)</u>	<u>(14,266,791)</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gains/(loss) on revaluation of Collections	10	(78,833)	(2,528,775)
		<u>(78,833)</u>	<u>(2,528,775)</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on available-for-sale financial assets		(33,866)	17,597
		<u>(33,866)</u>	<u>17,597</u>
Other comprehensive income/(loss) for the year		<u>(112,699)</u>	<u>(2,511,178)</u>
Total comprehensive income/(loss) for the year		<u>(2,034,830)</u>	<u>(16,777,969)</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	397,788	462,556
Trade and other receivables	6	182,051	17,139
Inventories	7	54,140	50,626
Financial assets	9	-	105,039
Other assets	8	18,939	29,677
TOTAL CURRENT ASSETS		<u>652,918</u>	<u>665,037</u>
NON-CURRENT ASSETS			
Financial assets	9	602,987	485,190
Property, plant and equipment	10	25,365,581	27,388,412
TOTAL NON-CURRENT ASSETS		<u>25,968,568</u>	<u>27,873,602</u>
TOTAL ASSETS		<u>26,621,486</u>	<u>28,538,639</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	80,179	51,923
Provisions	13	20,806	19,303
Other Liabilities	12	325,835	204,642
TOTAL CURRENT LIABILITIES		<u>426,820</u>	<u>275,868</u>
NON-CURRENT LIABILITIES			
Other Liabilities	12	79,216	112,491
TOTAL NON-CURRENT LIABILITIES		<u>79,216</u>	<u>112,491</u>
TOTAL LIABILITIES		<u>506,036</u>	<u>388,359</u>
NET ASSETS		<u>26,115,450</u>	<u>28,150,280</u>
EQUITY			
Retained earnings		25,774,228	27,730,226
Yellow Room Appeal Reserve		6,818	6,818
Reserves		334,404	413,237
TOTAL EQUITY		<u>26,115,450</u>	<u>28,150,280</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Note	Retained Earnings \$	Yellow Room Appeal \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2013		41,639,791	346,446	2,942,012	44,928,249
Comprehensive income					
Profit for the year		(14,266,791)	-	-	(14,266,791)
Transfers to/(from) reserves		339,628	(339,628)	-	-
Other comprehensive income for the year:					
– net fair value gains on available-for-sale financial assets	9b	17,597	-	-	17,597
– Gain/(Loss) on revaluation of Collections	10	-	-	(2,528,775)	(2,528,775)
Total other comprehensive income		17,597	-	(2,528,775)	(2,512,178)
Total comprehensive income attributable to members of the entity for the year		(13,909,566)	(339,628)	(2,528,775)	(16,777,969)
Balance at 30 June 2014		27,730,225	6,818	413,237	28,150,280
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 for the year:					
– net fair value losses on available-for-sale financial assets	9b	(33,866)	-	-	(33,866)
– Gain/(Loss) on revaluation of Collections		-	-	(78,833)	(78,833)
Total other comprehensive income		(33,866)	-	(78,833)	(112,699)
Total comprehensive income attributable to members of the entity for the year		(1,955,997)	-	(78,833)	(2,034,830)
Balance at 30 June 2015		25,774,228	6,818	334,404	26,115,450

For a description of each reserve, refer to Note 21.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,033,203	840,565
Payments to suppliers and employees		(883,057)	(616,574)
Interest received		8,268	21,529
Dividends received		28,636	-
Net cash generated from operating activities		<u>187,050</u>	<u>245,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		129,591	-
Payment for property, plant and equipment		(334,785)	(259,631)
Proceeds from sale of available-for-sale investments		105,039	-
Payment for available-for-sale investments		(151,663)	(254,902)
Net cash used in investing activities		<u>(251,818)</u>	<u>(514,533)</u>
Net increase in cash held		(64,768)	(269,013)
Cash and cash equivalents at beginning of financial year		<u>462,556</u>	<u>731,569</u>
Cash and cash equivalents at end of financial year	4	<u><u>397,788</u></u>	<u><u>462,556</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

New England Regional Art Museum Limited applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards* and AASB 2010–2: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 9th December 2015 by the directors of the company.

Significant Accounting Policies

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 purpose of these financial statements.

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

The controlled entities are:

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

a. Revenue

Non-reciprocal grant revenue is recognised in profit or loss when the entity obtains control of the grant and 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.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

and the grant revenue is recognised in the state 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 receives non-reciprocal contributions of assets from the government and other parties for 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.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

b. Inventories

Inventories held for sale 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 as at the date of acquisition.

c. Property, Plant and Equipment

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

Collection Assets

Collection assets (including artworks) are carried at fair value based on independent and Directors valuations, and in line with the company valuation policy. The increases in the value of these assets are recorded in the asset revaluation reserve.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. 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 estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value (refer to Note 1(q)), amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial 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.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

e. **Impairment**

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

recognised in profit or loss.

f. Impairment of Assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Employee Benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

i. Goods and Services Tax (GST)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

j. **Income Tax**

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

The company holds a deductible gift recipient status.

l. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. **Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

A review of the prior year financial statements identified that a number of transactions were not recorded in accordance with the Australian Accounting Standards. Accordingly reallocations between profit before income tax and other comprehensive income have occurred to meet these requirements. These changes have not impacted on the Net asset position of the consolidated entity.

n. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

Valuation of Collection Assets

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Collection assets were independently valued by Matt Henry Art Broker (Category A artwork was revalued in October 2012, Category B Artwork – Paintings and Objects were revalued in December 2014). 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 auctions and the significance and quality of the work.

Other A Category artworks are valued independently at market value or at purchase price. B Artworks not in the paintings and Objects category are valued at insurance value as are C Category artworks. At 30 June 2015, the directors have performed a directors' valuation on the collection asset. The directors have reviewed the key assumptions adopted by the valuer in 2012 and 2014 and do not believe there has been a significant change in the assumptions at 30 June 2015. Directors acknowledge that due to the difficulty in valuing all collections in one financial period, not all artworks are valued at market value and note that this methodology is inconsistent with the requirements of the Australian Accounting Standards, in particular AASB 13 Fair Value Measurement.

Key judgements

Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the company expects that most employees will use all of their annual leave entitlements in the same year in which they are earned or during the 12-month period that follows, the directors believe that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, are required to be measured at the nominal value of the expected payments to be made to employees.

p. **Economic Dependence**

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2015 \$	2014 \$
Statement of Financial Position		
ASSETS		
Current assets	595,856	482,269
Non-current assets	3,231,136	3,082,996
TOTAL ASSETS	<u>3,826,992</u>	<u>3,565,265</u>
LIABILITIES		
Current liabilities	440,589	299,445
Non-current liabilities	79,216	112,492
TOTAL LIABILITIES	<u>519,806</u>	<u>411,937</u>
NET ASSETS	<u>3,307,186</u>	<u>3,153,328</u>
EQUITY		
Retained earnings	2,965,964	2,733,273
Asset Revaluation Reserve	334,404	413,237
Yellow Room Appeal Reserve	6,818	6,818
TOTAL EQUITY	<u>3,307,186</u>	<u>3,153,328</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit	232,691	(219,061)
Other comprehensive income	(78,833)	(468,425)
Total comprehensive income	<u>153,858</u>	<u>(687,486)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3: REVENUE AND OTHER INCOME

	2015	2014
	\$	\$
Revenue		
Operating Activities		
– Shop sales	141,738	143,740
– Collection Income	9,645	9,710
– Public Programmes	51,534	72,544
	<u>202,917</u>	<u>225,994</u>
Revenue from (non-reciprocal) government grants and other grants:		
– Arts NSW	45,000	40,000
– Margaret Olley Trust	80,082	77,374
– Armidale Dumaresq Council	314,568	307,495
– Arts NSW Project	-	15,167
– Regional Arts NSW	2,100	-
– UNESAP Funding	7,889	10,409
– Gordon Darling Project	-	11,818
– Copyright Agency Funding	-	10,000
– Royal Historical Society	-	1,000
– Community Heritage Funding	-	5,300
– Other organisations	3,469	273
	<u>453,108</u>	<u>478,836</u>
Other revenue:		
– Dividends received	28,636	10,641
– Donations	56,935	43,974
– Membership fees	13,249	13,340
– Fundraising and sponsorship	14,500	28,241
– Franking credits	15,475	546
– Yellow Room Appeal	-	27,190
– Other revenue	8,946	8,699
– Interest received	8,268	21,638
	<u>146,009</u>	<u>154,269</u>
Total revenue	<u>802,034</u>	<u>859,099</u>
Other income		
– gain on disposal of property, plant and equipment	49,521	6,533
– capital grants	250,000	-
Total other income	<u>299,521</u>	<u>6,533</u>
Total revenue and other income	<u><u>1,101,555</u></u>	<u><u>865,632</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 4: PROFIT FOR THE YEAR

	2015	2014
	\$	\$
a. Expenses		
<i>Depreciation and amortisation:</i>		
·Plant and equipment	27,743	25,152
·motor vehicles	-	2,500
Total depreciation and amortisation	<u>27,743</u>	<u>27,652</u>
<i>Financial costs:</i>		
·interest expense on financial liabilities not at fair value through profit or loss	50,596	-
Bad and doubtful debts:		
·trade and other receivables	5,293	55
<i>Auditor's Remuneration</i>		
Accounting and Audit Fees	5,190	4,995
<i>Employees benefits expenses:</i>		
Salary and Wages	251,928	250,456
Superannuation	28,260	22,933
Other	<u>50,789</u>	<u>61,600</u>
Total employees benefits expenses	<u>330,977</u>	<u>334,989</u>
b. Significant Revenue and Expenses		
Net gain/(loss) on disposal of non-current assets		
Property, plant and equipment:		
Proceeds on disposal	129,591	6,533
Disposals at cost	<u>80,070</u>	<u>-</u>
Net gain on disposals as at 30 June 2015	<u>49,521</u>	<u>6,533</u>

NOTE 5: CASH AND CASH EQUIVALENTS

	2015	2014
	\$	\$
CURRENT		
Cash at bank	397,538	462,306
Cash on hand	250	250
	<u>397,788</u>	<u>462,556</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 6: TRADE AND OTHER RECEIVABLES

	Note	2015	2014
		\$	\$
CURRENT			
Trade receivables		168,689	13,241
Provision for impairment	5a	(5,781)	(488)
		<u>162,908</u>	<u>12,753</u>
Other receivables		19,143	4,386
Total current trade and other receivables		<u>182,051</u>	<u>17,139</u>

NOTE 7: INVENTORIES

	2015	2014
	\$	\$
CURRENT		
Stock on Hand – Art Stock	19,120	19,954
Stock on Hand – NERAM Shop	35,020	30,672
	<u>54,140</u>	<u>50,626</u>

NOTE 8: OTHER ASSETS

	2015	2014
	\$	\$
CURRENT		
Accrued income	-	2,316
Prepayments	18,939	27,361
	<u>18,939</u>	<u>29,677</u>

NOTE 9: FINANCIAL ASSETS

	Note	2015	2014
		\$	\$
CURRENT			
Financial assets at fair value through profit or loss	8a	-	105,039
NON-CURRENT			
Available-for-sale financial assets	8b	602,987	485,190
Held-to-maturity financial assets		-	-
		<u>602,987</u>	<u>590,229</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	\$	\$
Plant and Equipment		
Plant and Equipment at cost:		
Plant and equipment	565,153	230,368
Less accumulated depreciation	(146,216)	(118,473)
Total Plant and Equipment	<u>418,937</u>	<u>111,895</u>
 Motor Vehicle at cost:		
Motor Vehicle	-	17,500
Less accumulated depreciation	-	(17,500)
Total buildings	<u>-</u>	<u>-</u>
 Collections		
NERAM Collection at fair value	2,578,030	2,741,219
 Museum of Printing Collection at fair value	234,169	229,882
 Hinton Collection at fair value	20,233,178	22,187,029
 Coventry Collection at fair value	1,901,267	2,118,387
 Total Collection	<u>24,946,644</u>	<u>27,276,517</u>
Total Property Plant and Equipment	<u>25,365,581</u>	<u>27,388,412</u>

Collections have been revalued in accordance with the NERAM Valuation and Stocktaking policy, refer to Note 1 o.

Movements in Carrying Amounts

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	Motor	Plant and	Total
	\$	Vehicles	Equipment	\$
2015				
Balance at the beginning of the year	27,276,517	-	111,895	27,388,412
Additions at cost	-	-	334,785	334,785
Revaluation	(2,249,803)	-	-	(2,249,803)
Disposals	(80,070)	-	-	(80,070)
Depreciation expense		-	(27,743)	(27,743)
Carrying amount at the end of the year	<u>24,946,644</u>	<u>-</u>	<u>418,937</u>	<u>25,365,581</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 11: TRADE AND OTHER PAYABLES

	Note	2015	2014
		\$	\$
CURRENT			
Trade payables		24,418	31,214
Other current payables		55,761	20,709
	19	<u>80,179</u>	<u>51,923</u>

NOTE 12: OTHER LIABILITIES

	Note	2015	2014
		\$	\$
CURRENT			
Income received in advance		80,529	78,642
Unspent Grant Funds		178,285	-
Armidale Dumaresq Council Debt		67,020	126,000
		<u>325,834</u>	<u>204,642</u>
NON-CURRENT			
Armidale Dumaresq Council Debt		79,216	112,491
Total borrowings	19	<u>405,050</u>	<u>317,133</u>

The interest free debt to Armidale Dumaresq Council is recorded at Net Present Value. The total amount owing at 30 June 2015 is \$151,020, and is repayable over the next three years in equal instalments. Armidale Dumaresq Council 20 year funding agreement is conditional on the repayment of this debt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 13: PROVISIONS

	2015	2014
	\$	\$
CURRENT		
Provision for employee benefits: annual leave	20,806	19,303
	<u>20,806</u>	<u>19,303</u>

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(g).

NOTE 14: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

To the best of the directors' knowledge and belief, there are no known contingent assets or liabilities at balance date.

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

To the best of the directors' knowledge and belief, there have been no significant events since the end of the reporting period requiring disclosure in the financial report.

NOTE 16: 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 2015 the number of members was 396.

NOTE 17: 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 18: OTHER RELATED PARTY TRANSACTIONS

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 personnel.

Disclosures relating to key management personnel are set out in note 17.

Transactions with related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTE 19: FINANCIAL RISK MANAGEMENT

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

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2015 \$	2014 \$
Financial assets			
Cash and cash equivalents	5	397,788	462,556
Loans and receivables	6	182,051	17,139
Financial assets at fair value through profit or loss	9a	-	105,039
Available-for-sale financial assets	9b	602,987	485,190
Total financial assets		1,182,826	1,069,924
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	11	80,179	51,923
– Borrowings	12	405,050	317,133
Total financial liabilities		485,229	369,056

Refer to Note 20 for detailed disclosures regarding the fair value measurement of the company's financial assets and financial liabilities.

NOTE 19: FINANCIAL RISK MANAGEMENT

Note 20: FAIR VALUE MEASUREMENTS

The company has the following assets, set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	Note	2015 \$	2014 \$
Recurring fair value measurements			
<i>Financial assets</i>			
Financial assets at fair value through profit or loss:			
– held-for-trading Australian listed shares	8, 20(i)	602,987	485,190
Available-for-sale financial assets:			
– shares in listed corporations	8, 20(i)	-	-
		<u>602,987</u>	<u>485,190</u>

(i) For investments in listed shares, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) 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

Consolidated 2015	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Ordinary Shares Available for Sale	602,987	-	-	602,987
Collection Assets	<u>-</u>	<u>-</u>	<u>24,946,644</u>	<u>24,946,644</u>
Total Assets	<u>602,987</u>	<u>-</u>	<u>24,946,644</u>	<u>5,549,631</u>

Consolidated 2014	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Ordinary Shares Available for Sale	485,190	-	-	485,190
Term Deposits	105,039	-	-	105,039
Collection Assets	-	-	27,276,517	27,276,517
Total Assets	<u>602,987</u>	<u>-</u>	<u>27,276,517</u>	<u>27,866,746</u>

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

NOTE 21: RESERVES

a. **Asset Revaluation Reserve**

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

b. **Yellow Room**

The Yellow Room reserve records the funds received to date for the acquisition of Margaret Olley's "The Yellow Room Triptych 2007" less costs. The reserve is expected to be fully expended by 30 June 2016 with the balance at 30 June 2015 being \$6,818.

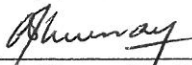
NOTE 22: CONTROLLED ENTITIES

The parent entity (New England Regional Art Museum Limited) acts as a trustee for the following trusts: Howard Hinton Trust, Chandler Coventry Trust and The New England Regional Art Museum Foundation.

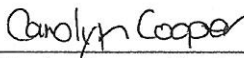
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the New England Regional Art Museum Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 27, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position of the company as at 30 June 2015 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Andrew Murray - Director



Carolyn Cooper - Director

Dated 9th of December 2015

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NEW ENGLAND REGIONAL ART MUSEUM LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of New England Regional Art Museum Ltd, which comprises the statement of financial position as at 30 June 2015, 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 comprising the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors 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 Corporations Act 2001 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of New England Regional Art Museum Ltd would be in the same terms if given to the directors as at the time of this auditor's report. We have given the directors of New England Regional Art Museum Ltd a written Auditors Independence Declaration, a copy of which is included in the financial report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NEW ENGLAND REGIONAL ART MUSEUM LIMITED

Opinion

In our opinion, the financial report gives a true and fair view of, the financial position of New England Regional Art Museum Ltd and its subsidiaries, as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001.

Emphasis of Matter

Without further qualification to the above opinion attention is drawn to Note 1.o. in the financial statements "Key Estimates – Valuation of Collection Assets." Note 1.o. acknowledges a departure from Australian Accounting Standard 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 collection assets.

Without further qualification to the above opinion attention is drawn 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 as not to breach the confidentiality of the Company.

Our opinion is not qualified in respect of these matters.

PKF Lawler Warburtons Audit & Assurance Pty Ltd



Margaret van Aanholt
Director

Tamworth, NSW

Dated this 9th day of December, 2015