

New England Regional Art Museum Limited

ABN: 47 131 297 731

Consolidated Financial Statements

For the Period Ended 31 December 2018

New England Regional Art Museum Limited

ABN: 47 131 297 731

Contents

For the Period Ended 31 December 2018

	Page
Consolidated Financial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	30
Independent Auditor's Report	31

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 period.

The financial statements are presented in Australian dollars, which is New England Regional Art Museum Limited and its controlled entities' functional and presentation currency. New England Regional Art Museum Limited is a not-for-profit unlisted public 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.

During the period, the company changed its financial year end from 30 June to 31 December. As a result, the consolidated financial statements presented are for the 6 month period from 1 July 2018 to 31 December 2018. The prior year comparative information presented is for the full year ended 30 June 2018.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28th May 2019.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Directors' Report For the Period Ended 31 December 2018

The directors present their report, together with the consolidated financial statements of the consolidated entity, being the Company and its controlled entities, for the 6-month period ended 31 December 2018.

1. General information

Information on directors

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

Andrew Murray	Chair
Qualifications	BA (UNE), AFAIM, Business Advisor and Investor
Experience	The Armidale School Board 14yrs to 2011- former Chair (10 Years)
Other current directorships	Chairman of Phoenix Foundry Pty Ltd

Lancelot Lloyd	
Qualifications	MAICD, BA (UNE), JP, Past Chairman -Friend of NERAM
Experience	Deputy Chairman - Australian Tourism Export Council Ltd (ATEC)
Other current directorships	Former ADC to Governor of NSW Sir Roden Cutler

Dr Mary-Louise Conway	
Qualifications	BOcc Thy (UQ), MBA (NE), PHD (NE), Senior Lecturer - UNE Business School
Experience	Member of the European Group for Organisational Structure

Dr Robert Clarke	Deputy Chair
Qualifications	BA (Hons) (UNE) PhD(ANU) FIML Fellow Australian Institute of Managers and Leaders, Former Fellow, Institute of Chartered Accountants in Australia, Cultural Director
Experience	Managing Director, Australian National Academy of Music (Retired)

Kim Taylor	
Qualifications	B Pharm, MBA, GAICD International Commercial Management and Senior Executive
Experience	Head of Johnson & Johnson, Southeast Asia (retired) Johnson & Johnson Company Group Chairman, Asia Pacific (Retired)

Carly McClaren	
Qualifications	Gallery Owner
Experience	Director Walcha Gallery of Art

Lindsay Woodland	Appointed: 5th July 2018
Qualifications	Group Leader Organisation Services at Armidale Regional Council
Experience	Marketing & Sales Management: 15 years experience in executive level marketing & sales leadership roles with significant expertise in B2C & B2B marketing.

Patrick Bradley	Appointed: 6th December 2018
Qualifications	Business Manager at the Armidale School
Experience	AFSM, member of the Board of Phoenix Foundry, volunteer NSW Rural Fire, awarded the Australian Fire Service Medal

New England Regional Art Museum Limited

ABN: 47 131 297 731

Directors' Report For the Period Ended 31 December 2018

1. General information continued

Information on directors continued

Lucinda Wright

Qualifications	Migration Consultant Legal Minds
Experience	Previous Department of Foreign Affairs and Trade with overseas postings in Spain and Latin America
Other current directorships	Previous Member Migration Review Tribunal (8 years)

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

Company secretary

Rachel Parsons held the position of Company secretary at the end of the financial period:

Principal activities

The principal activities of the consolidated entity during the financial period 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 period.

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 understanding 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 experiences 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), continues to explore and pursue opportunities that develop community connected and community created content, partnering with regional organisations to integrate arts and cultural activities in community life. NERAM's annual program includes some thirty exhibitions that showcase and promote the Museum's outstanding collections, provides local audiences access to nationally significant contemporary arts practice through touring exhibitions and special projects, and supports the development and promotion of local artists. In addition to exhibitions, NERAM produces an extensive program of workshops, art classes, talks and events and contributes significantly to the cultural ecology of the New England Region.

During the six months between July and December 2018, the NERAM Ltd Board appointed Rachael Parsons as the new Museum Director. Subsequently Rachael has engaged in a period of reviewing the staff structure and recruitment. Leah

Directors' Report

For the Period Ended 31 December 2018

1. General information continued

How principal activities assisted in achieving the objectives continued

Gilby was appointed as the Finance and Administration position in December 2018 and Belinda Hungerford was recruited as Manager, Exhibitions and Curatorial, commencing in January 2019.

NERAM developed a detailed plan for expansion and building improvement that would increase efficiency and sustainability in our operations, expand the commercial aspects of our business and improve the visibility, useability and operation health and safety of NERAM's facilities. The \$4.5million project was submitted for a Regional Cultural Fund Grant and while we were unsuccessful in our application, we received positive feedback and are pursuing other funding opportunities to support NERAM's growth.

We completed the *Myall Creek and beyond* project, a major inter-institutional partnership that included The Friends of Myall Creek Memorial, The Armidale and regional Aboriginal Cultural Centre and Keeping Place, University of New England, Beyond Empathy and Arts North West. An exhibition of newly commissioned works explored difficult shared history to increase awareness and considered discourse about the history of the Myall Creek Massacre, and its continued impact on both Aboriginal and non-aboriginal people. The cultural and community events were aimed at building upon the work and profile of the Myall Creek Memorial as a vital site for reconciliation and to encourage increased participation in their annual commemoration. The project included multiple pathways to encourage different kinds of engagement with a range of audiences, particularly First Nation People, and included a residency program, symposium, community workshops, satellite exhibitions, artist talks and publication. This program was awarded two Museums and Galleries NSW IMAGinE Awards.

NERAM has made a commitment to ensure that our program continues to accommodate and attract children and families. In November 2018 we opened the touring exhibition the Adventures of Aecap, sponsored by our Friends of NERAM. The exhibition included large scale interactive pieces and hands-on activities, where Aecap, Alasdair Macintyre's self referential character, explored what it meant to be an artist. Kids could ride with Aecap and Impasto aboard the rollicking Splatmobile, cozy up to the art-huggy monster, step inside the Junior Artist box or become a Young Master. We developed our holiday program to connect to this exhibition and saw an increase in attendance by children.

The Museum strives to implement best practices management and policies that govern operations and drive strategic planning at NERAM. The *NERAM Strategic Plan 2017 – 2020* was approved by the NERAM Board in August 2017. NERAM management reviewed and updated NERAM's *Disaster Plan*, *Collections Policy* and *Collections Valuation Schedule* in November 2017.

NERAM relies upon the ongoing support of its community to succeed and grow. We have approx. 90 active volunteers that provide assistance to NERAM in front of house activities, exhibition installation, event catering, library and archive management, gardening and fundraising.

Performance measures

The following Critical Success Factors and Key Performance Measures (KPIs) are used by the company 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

New England Regional Art Museum Limited

ABN: 47 131 297 731

Directors' Report **For the Period Ended 31 December 2018**

1. General information continued

Performance measures continued

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 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 member and any person or association who ceased to be a member in the period prior to the winding up, is limited to \$ 10.

At 31 December 2018 the collective liability of members was \$ 2,900 (June 2018: \$ 2,900).

2. Other items

Change in financial year

The company and its controlled entities changed their financial year-end from 30 June to 31 December for the purposes of aligning with its funding bodies. This change has been made in good faith in the best interest of the consolidated entity. As a result the information in the statements may not be entirely comparable.

Future developments and results

NERAM is committed to sustainable operational and program growth. NERAM has developed a range of plans and designs for future upgrades to the Museum's facilities to address needs for expansion, WHS improvements and access, as well as continuing initiatives to improve the energy efficiency and sustainability of the building. These developments will be realised progressively as funds become available.

The New England Regional Art Museum has been progressively upgrading the building over the past four years with capital projects that have included:

- 2014 - replacement of climate control systems (\$250,000)
- 2016 - replacement of lighting systems (\$120,000)
- 2016 - installation of solar power panels (\$115,000)

New England Regional Art Museum Limited

ABN: 47 131 297 731

Directors' Report For the Period Ended 31 December 2018

2. Other items continued

Future developments and results continued

- 2017 - replacement of external cladding and electrical fittings (\$315,000)
- 2017-18 - Refurbishment of East Gallery as permanent exhibition space for **HINTON: Treasures of Australian Art** display (\$115,000)
- Planned for 2019 - Refurbishment of West Gallery exhibition space (\$95,000).

Meetings of directors


During the financial period, 4 meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:


	Directors' Meetings	
	Number eligible to attend	Number attended
Andrew Murray	4	4
Lancelot Lloyd	4	4
Mary-Louise Conway	4	4
Robert Clarke	4	4
Kim Taylor	4	4
Carly McClaren	4	4
Lindsay Woodland	3	3
Patrick Bradley	1	1
Lucinda Wright	4	4

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the period ended 31 December 2018 has been received and can be found on page 5 of the consolidated financial report.

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

Director: 
Dr Robert Clarke

Director: 
Kim Taylor

Dated this 28th day of May 2019

New England Regional Art Museum Limited

ABN: 47 131 297 731

Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission 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 period ended 31 December 2018, there have been:

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

PKF NENW Audit & Assurance Pty Limited



Margaret van Aanholt

Dated this 29th day of May 2019

Tamworth NSW 2340

PKF NENW Audit & Assurance Pty Limited
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New England Regional Art Museum Limited

ABN: 47 131 297 731

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 31 December 2018

		Dec. 2018	June 2018
	Note	\$	\$
Sales revenue	4	144,311	534,160
Cost of sales		(31,286)	(210,274)
Gross profit		113,025	323,886
Other income	4	283,956	1,008,094
Grant income	4	297,315	766,648
Marketing and Promotions expense		(3,225)	(36,605)
Occupancy expense		(58,368)	(146,068)
Employee benefits costs	5	(197,060)	(712,960)
Loss on disposal of non-current assets		(5,580)	-
Administration expense		(34,667)	(89,114)
Collection expense		(19,320)	(89,808)
Project grant expense		(54,170)	(168,448)
Board expense		(831)	(1,820)
Shop expense		(806)	(5,590)
Other expenses		(25,842)	(24,579)
Depreciation		(44,320)	(82,981)
Public Program expense		(30,711)	(73,291)
Finance costs		(1,810)	(10,086)
Profit before income tax		217,589	657,279
Increment/Decrement on Revaluation of Collections		-	-
Profit from continuing operations		217,589	657,279
Profit for the period		217,589	657,279
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss when specific conditions are met			
Net fair value gain on re-measurement of investments in listed shares		(68,306)	38,850
Other comprehensive income for the year, net of tax		(68,306)	38,850
Total comprehensive income for the year		149,283	696,129

The accompanying notes form part of these financial statements.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Consolidated Statement of Financial Position

As At 31 December 2018

	Note	Dec. 2018 \$	June 2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	551,235	403,777
Trade and other receivables	7	21,975	169,589
Inventories	8	22,985	25,322
Other assets	10	32,263	40,256
TOTAL CURRENT ASSETS		628,458	638,944
NON-CURRENT ASSETS			
Property, plant and equipment	9	37,668,194	37,521,056
Financial assets	11	745,994	765,414
TOTAL NON-CURRENT ASSETS		38,414,188	38,286,470
TOTAL ASSETS		39,042,646	38,925,414
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	69,936	124,146
Short-term provisions	14	20,879	16,011
Other liabilities	15	459,003	442,869
TOTAL CURRENT LIABILITIES		549,818	583,026
NON-CURRENT LIABILITIES			
Trade and other payables		1,000	-
Borrowings	13	100,000	100,000
Long-term provisions	14	1,367	1,210
TOTAL NON-CURRENT LIABILITIES		102,367	101,210
TOTAL LIABILITIES		652,185	684,236
NET ASSETS		38,390,461	38,241,178
EQUITY			
Reserves	16	526,056	594,362
Retained earnings		37,864,405	37,646,816
Total equity attributable to equity holders of the Company		38,390,461	38,241,178
TOTAL EQUITY		38,390,461	38,241,178

The accompanying notes form part of these financial statements.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Consolidated Statement of Changes in Equity For the Period Ended 31 December 2018

Dec. 2018

	Retained Earnings	Asset Realisation Reserve	Financial Asset Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2018	37,646,816	511,916	82,446	38,241,178
Profit for the year	217,589	-	-	217,589
Net fair value gain on fair value through Other Comprehensive Income financial assets	-	-	(68,306)	(68,306)
Transactions with owners in their capacity as owners				
Balance at 31 December 2018	37,864,405	511,916	14,140	38,390,461

June 2018

	Retained Earnings	Asset Realisation Reserve	Financial Asset Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2017	36,989,537	511,916	43,596	37,545,049
Profit for the year	657,279	-	-	657,279
Net fair value gain on available for sale financial assets	-	-	38,850	38,850
Transactions with owners in their capacity as owners				
Balance at 30 June 2018	37,646,816	511,916	82,446	38,241,178

The accompanying notes form part of these financial statements.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Consolidated Statement of Cash Flows For the Period Ended 31 December 2018

	Note	Dec. 2018 \$	June 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from grants, donations, and customers		696,967	2,048,232
Payments to suppliers and employees		(537,487)	(1,808,155)
Interest received		1,972	4,096
Finance costs		(1,810)	(10,086)
Franking credits		8,557	-
Net cash provided by/(used in) operating activities	25	168,199	234,087
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment to acquire available-for-sale investments		(48,886)	(726,564)
Proceeds from sale of available-for-sale investment		5,909	621,005
Dividends received		27,942	53,875
Purchase of property, plant and equipment		(5,706)	(344,423)
Net cash provided by/(used in) investing activities		(20,741)	(396,106)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase/(decrease) in cash and cash equivalents held		147,458	(162,019)
Cash and cash equivalents at beginning of year		403,777	565,796
Cash and cash equivalents at end of the period	6	551,235	403,777

The accompanying notes form part of these financial statements.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements

For the Period Ended 31 December 2018

The consolidated financial report covers New England Regional Art Museum Limited and its controlled entities ('the consolidated entity'). New England Regional Art Museum Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

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 consolidated financial statements are presented in Australian dollars which is the functional and presentation currency of the parent entity and its controlled entities.

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 Interpretations issued by the Australian Accounting Standards Board ('AASB') 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.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New England Regional Art Museum Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. New England Regional Art Museum Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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.

Notes to the Financial Statements

For the Period Ended 31 December 2018

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, have been satisfied.

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

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 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

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.

Subscriptions

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial period.

Other income

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

Notes to the Financial Statements

For the Period Ended 31 December 2018

2 Summary of Significant Accounting Policies continued

(b) Income Tax

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

(c) 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.

Cash flows in the consolidated 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.

(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 assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the consolidated entity classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the consolidated entity changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and

Notes to the Financial Statements

For the Period Ended 31 December 2018

2 Summary of Significant Accounting Policies continued

(e) Financial instruments continued

Financial assets continued

- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Entity's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

Equity instruments

The Consolidated Entity has a number of strategic investments in listed and unlisted entities over which are they do not have significant influence nor control. The Consolidated Entity has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Notes to the Financial Statements

For the Period Ended 31 December 2018

2 Summary of Significant Accounting Policies continued

(e) Financial instruments continued

Financial assets continued

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the consolidated entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the consolidated entity's historical experience and informed credit assessment and including forward looking information.

The Consolidated Entity uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Consolidated Entity uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the consolidated entity in full, without recourse to the consolidated entity to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the consolidated entity in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Financial liabilities

The Consolidated Entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the consolidated entity comprise trade payables and loans.

Notes to the Financial Statements

For the Period Ended 31 December 2018

2 Summary of Significant Accounting Policies continued

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

(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.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

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 acquired for nil or nominal consideration have been recorded at the acquisition date fair value. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. Any subsequent revaluation increments are taken to the profit or loss to the extent of the previous revaluation decrement, and then in other comprehensive income through the revaluation surplus reserve.

The collection assets Valuation and Stocktaking 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 6 or 10 year cycle. The artworks are categorised by collection.

The collection assets are divided into four classes; Howard Hinton, Chandler Coventry, NERAM & Armidale City and the Museum of Printing.

Hinton, Coventry and NERAM & Armidale City collections (paintings only) are formally valued by an independent valuer every 6 years per the schedule. All other artworks from the NERAM & Armidale City Collection are revalued by the Directors every 6 years and Museum of Printing collection 10 years.

Notwithstanding the revaluation period, if there are indicators that fair value has changed, then a revaluation may be scheduled sooner.

The collections assets were independently valued by Matt Henry Art Broker (the Hinton Collection was revalued in June 2017 with other collections scheduled for revaluation in 2019 and 2021). The valuation was based on observable market information.

Notes to the Financial Statements

For the Period Ended 31 December 2018

2 Summary of Significant Accounting Policies continued

(g) Property, plant and equipment continued

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, 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% - 33.33%
Furniture, Fixtures and Fittings	5% - 33.33%
Motor Vehicles	12.50%

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

Short-term 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.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

Defined benefit superannuation schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

Notes to the Financial Statements

For the Period Ended 31 December 2018

2 Summary of Significant Accounting Policies continued

(i) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(j) Adoption of new and revised accounting standards

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity. The following Accounting Standard and Interpretations are most relevant to the company:

AASB 9 Financial Instruments

The consolidated entity adopted AASB 9 from 1 January 2018. AASB 9 introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated 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.

Notes to the Financial Statements

For the Period Ended 31 December 2018

3 Critical Accounting Estimates and Judgments continued

Key estimates - Valuation of Collection Assets

The collection assets are valued in-line with the Valuation and Stocktaking policy which 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 6 or 10 year cycle as described in Note 2(g). If there are indicators that fair value has changed, then a revaluation may be scheduled sooner. The valuation is based on observable market information and the critical assumptions adopted in determining the valuation includes the assessment of recent actions and the significance and quality of the work.

Key estimates - provisions

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.

As discussed in note 1(h), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

4 Revenue and Other Income

Revenue from continuing operations

	Dec. 2018	June 2018
	\$	\$
Sales revenue		
- Shop sales	29,434	94,876
- Public Programmes income	94,506	132,489
- Consignment sales	5,371	12,688
- Collection income	300	-
- Cafe sales	14,700	294,107
	144,311	534,160
Grant Income		
- Armidale Regional Council	172,935	337,765
- Arts NSW	30,000	60,000
- Regional Arts NSW	-	122,210
- Capital grants	-	60,000
- Margaret Olley Trust	40,549	117,986
- UNESAP	4,000	8,678
- Art of Wool Australia	4,200	29,122
- Other organisations	45,631	30,888
	297,315	766,648
Other revenue		
- Donations	228,862	846,373
- Fundraising	1,177	58,899
- Insurance recoveries	2,249	1,314
- Dividend income	27,942	58,392
- Net gain on sale of shares	-	10,862
- Member subscriptions	1,008	14,233
- Interest	1,972	4,096
- Sundry income	20,746	13,925
	283,956	1,008,094
Total Revenue	725,582	2,308,902

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

5 Result for the Year

The result for the year includes the following specific expenses:

	Dec. 2018	June 2018
	\$	\$
Employee benefit expenses		
Salary and wages	157,077	596,705
Contractors	21,271	49,352
Superannuation contributions	14,430	54,799
Workers compensation	1,943	4,875
Other short-term costs	2,341	5,630
Fringe benefits tax	-	1,600
Employee benefit expenses	197,060	712,960

6 Cash and Cash Equivalents

	Dec. 2018	June 2018
	\$	\$
Cash at bank and in hand	507,237	384,032
Short-term deposits	43,177	17,000
Other cash and cash equivalents	821	2,746
	551,235	403,777

Reconciliation of cash

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

	Dec. 2018	June 2018
	\$	\$
Cash and cash equivalents	551,235	403,777

7 Trade and Other Receivables

	Dec. 2018	June 2018
	\$	\$
CURRENT		
Trade and other receivables	11,889	151,935
Other receivables	10,086	17,654
Total current trade and other receivables	21,975	169,589

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.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

8 Inventories

	Dec. 2018 \$	June 2018 \$
CURRENT		
At cost:		
Stock on hand - Cafe	-	3,102
Stock on hand - Shop stock	22,985	22,220
	<u>22,985</u>	<u>25,322</u>

Write downs of inventories to net realisable value during the period were \$ 3,102 (June 2018: \$ NIL).

9 Property, plant and equipment

	Dec. 2018 \$	June 2018 \$
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	4,085	1,265
Plant and equipment		
At cost	729,435	726,548
Accumulated depreciation	(262,458)	(238,753)
	<u>466,977</u>	<u>487,795</u>
Furniture, fixtures and fittings		
At cost	590,856	590,856
Accumulated depreciation	(65,611)	(45,172)
Total furniture, fixtures and fittings	<u>525,245</u>	<u>545,684</u>
Motor vehicles		
At cost	-	15,441
Accumulated depreciation	-	(3,776)
Total motor vehicles	<u>-</u>	<u>11,665</u>
COLLECTION		
At fair value		
Hinton Collection	30,949,556	30,949,556
NERAM Collection	3,509,865	3,312,625
Coventry Collection	1,865,111	1,865,111
Museum of Printing collection	238,640	238,640
Armidale City Collection	108,715	108,715
At cost		
Total COLLECTION	<u>36,671,887</u>	<u>36,474,647</u>
Total property, plant and equipment	<u>37,668,194</u>	<u>37,521,056</u>

Notes to the Financial Statements

For the Period Ended 31 December 2018

9 Property, plant and equipment continued

(a) 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 period:

	Capital WIP \$	Plant and Equipment \$	Fitout & Fittings \$	Motor Vehicles \$	Collection assets \$	Total \$
Period ended 31 December 2018						
Balance at the beginning of the period	1,265	487,795	545,684	11,665	36,474,647	37,521,056
Additions	2,820	2,886	-	-	197,240	202,946
Disposals	-	-	-	(11,489)	-	(11,489)
Depreciation expense	-	(23,704)	(20,439)	(176)	-	(44,319)
Balance at the end of the period	4,085	466,977	525,245	-	36,671,887	37,668,194

10 Other Assets

	Dec. 2018 \$	June 2018 \$
CURRENT		
Prepayments	32,139	38,785
Accrued income	124	1,471
	32,263	40,256

11 Financial assets

	Dec. 2018 \$	June 2018 \$
NON-CURRENT		
Listed investments - fair value		
Fair Value through Other Comprehensive Income	745,994	765,414

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

12 Trade and Other Payables

	Dec. 2018	June 2018
	\$	\$
Current		
Trade payables	29,780	59,395
GST payable	10,384	20,469
Accrued expenses	18,929	17,840
Other payables	10,843	26,442
	<u>69,936</u>	<u>124,146</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

13 Borrowings

	Dec. 2018	June 2018
	\$	\$
NON-CURRENT		
Unsecured liabilities:		
Solar Loan	<u>100,000</u>	<u>100,000</u>

During the current and prior period, there were no defaults or breaches on any of the loans.

14 Provisions

	Dec. 2018	June 2018
	\$	\$
CURRENT		
Annual Leave	<u>20,879</u>	<u>16,011</u>
	<u>Dec. 2018</u>	<u>June 2018</u>
	\$	\$
NON-CURRENT		
Long Service Leave	<u>1,367</u>	<u>1,210</u>

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

15 Other Liabilities

	Dec. 2018	June 2018
	\$	\$
CURRENT		
Amounts received in advance	167,566	116,468
Unspent grant funds	291,437	326,401
	<u>459,003</u>	<u>442,869</u>

16 Reserves

Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

	Dec. 2018	June 2018
	\$	\$
Asset revaluation reserve		
Balance at the beginning of the year	511,916	511,916
Gain/(loss) on revaluation of Collection assets	-	-
	<u>511,916</u>	<u>511,916</u>
Financial asset reserve		
Opening balance	82,446	43,596
Gain/(loss) on revaluation of available for sale assets	(68,306)	38,850
	<u>14,140</u>	<u>82,446</u>
Total	<u>526,056</u>	<u>594,362</u>

17 Leasing Commitments

Operating leases

	Dec. 2018	June 2018
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	10,591	10,591
- between one year and five years	42,364	42,364
	<u>52,955</u>	<u>52,955</u>

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

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

18 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 31 December 2018 the number of members was 290 (2017: 290).

19 Key Management Personnel Remuneration

As there is a single key management personnel, non-compliance with AASB 124 has been chosen so as not to breach the Company's confidentiality policy.

20 Auditors' Remuneration

	Dec. 2018	June 2018
	\$	\$
Remuneration of the auditor [PKF NENW Audit & Assurance Pty Ltd], for:		
- auditing the financial statements and assistance with the preparation of the financial statements	<u>7,000</u>	<u>9,500</u>

21 Economic Dependence

New England Regional Art Museum Limited is economically dependent on the Armidale Regional Council under a 20 year funding agreement. At the date of this report, the Board of Directors has no reason to believe the Armidale Regional 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.

Notes to the Financial Statements

For the Period Ended 31 December 2018

22 Fair Value Measurement

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	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.

	Level 1	Level 3	Total
31 December 2018	\$	\$	\$
Recurring fair value measurements			
Fair value through OCI Financial assets	745,994	-	745,994
Collection assets	-	36,671,887	36,671,887

	Level 1	Level 3	Total
30 June 2018	\$	\$	\$
Recurring fair value measurements			
Available for sale financial assets	765,414	-	765,414
Collection assets	-	36,474,647	36,474,647

23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2018 (30 June 2018:None).

24 Related Parties

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

Key management personnel - refer to Note 19.

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.

(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 end of the current reporting period. There were no loans to or from related parties at the current and previous reporting period.

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

25 Cash Flow Information

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

	Dec. 2018	June 2018
	\$	\$
Profit for the year	217,589	657,279
Cash flows excluded from profit attributable to operating activities		
- Dividends	(27,942)	(58,394)
Non-cash flows in profit:		
- depreciation	44,320	82,981
- artwork donations at fair value	(197,240)	(419,261)
- net movement in financial assets	-	(10,862)
- gain/(loss) on sale of plant and equipment	5,580	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	140,046	(26,988)
- (increase)/decrease in other assets	5,475	29,303
- (increase)/decrease in inventories	2,336	(452)
- increase/(decrease) in income in advance	16,134	80,443
- increase/(decrease) in trade and other payables	(43,124)	(102,185)
- increase/(decrease) in provisions	5,025	2,223
Cashflows from operations	168,199	234,087

New England Regional Art Museum Limited

ABN: 47 131 297 731

Notes to the Financial Statements For the Period Ended 31 December 2018

26 Events after the end of the Reporting Period

The consolidated financial report was authorised for issue on 28th May 2019 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial period 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.

The financial information for the parent entity, New England Regional Art Museum Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	Dec. 2018	June 2018
	\$	\$
Consolidated Statement of Financial Position		
Assets		
Current assets	402,973	450,619
Non-current assets	4,853,526	4,706,389
Total Assets	5,256,499	5,157,008
Liabilities		
Current liabilities	204,225	567,301
Non-current liabilities	382,335	101,210
Total Liabilities	586,560	668,511
Equity		
Retained earnings	4,158,022	3,976,579
Asset revaluation reserve	511,917	511,917
Total Equity	4,669,939	4,488,496
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	181,443	491,083
Total comprehensive income	181,443	491,083

28 Statutory Information

The registered office and principal place of business of the company is:

New England Regional Art Museum Limited
106-114 Kentucky Street
Armidale NSW 2340

New England Regional Art Museum Limited

ABN: 47 131 297 731

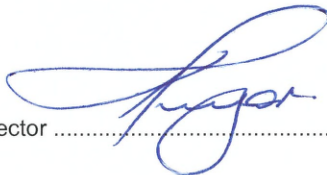
Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 7 to 29, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the period ended on that date of the Company and its controlled entities.
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.

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

Director

Director

Dated this 28th day of May 2019



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of New England Regional Art Museum Limited (the Company) and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 6-month period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity has been prepared in accordance with Division 60 the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its financial performance for the 6-month period then ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter

We draw attention to note 19 to the financial statements which describes the 'Key Management Personnel Disclosures'. One key management personnel exists but non-compliance with the Australian Accounting Standard (AASB) 124 *Related Party Disclosures* has been chosen as not to breach the consolidated entity's confidentiality. Our opinion is not qualified in respect of this matter.

PKF NENW Audit & Assurance Pty Limited
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Independent Auditor's Report to the members of New England Regional Art Museum Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Valuation of Collection Assets

As at reporting date the value of the consolidated entity's Collection Assets was \$36,671,887 as disclosed in Note 9 to the financial statements. The consolidated entity's accounting policy in respect of fair value of the Collection Assets is described in Note 2 (g). As detailed in Note 3, significant judgement is required in determining the fair values of these assets as at reporting date in accordance with Australian Accounting Standard (AASB) 116 *Property, Plant and Equipment*. We have assessed the consolidated entity's accounting policy and reviewed this against the requirements of AASB 116, as well as reviewed the disclosures within the consolidated financial statements. We have also assessed the key assumptions and methodology applied by the entity in determining the fair value of the Collection Assets in accordance with the requirements of Australian Accounting Standard (AASB 13) *Fair Value Measurement*.

Responsibilities of Directors 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*, 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.

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

The responsible entities are responsible for overseeing the registered entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF NENW Audit & Assurance Pty Ltd

A handwritten signature in blue ink, appearing to read 'Margaret van Aanholt', is written over a light blue horizontal line.

Margaret van Aanholt

Tamworth NSW

Dated this 29th day of May 2019

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Standards Legislation

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